

# MULTINATIONAL CORPORATIONS AND UNITED STATES FOREIGN POLICY

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
MULTINATIONAL CORPORATIONS  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
NINETY-THIRD CONGRESS  
ON  
THE INTERNATIONAL TELEPHONE AND TELEGRAPH  
COMPANY AND CHILE, 1970-71

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MARCH 20, 21, 22, 27, 28, 29, AND APRIL 2, 1973

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PART 1



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NOTE.—Sections of these hearings have been deleted at the request of the Central Intelligence Agency. Deleted material is indicated by the notation "[Deleted]."



# CONTENTS

[Index appears at the end of Part 1]

Testimony of:	Page
Berrellez, Robert, director, inter-American relations, ITT, accompanied by John H. Schafer, counsel, and Phil E. Gilbert, Jr., counsel for Mr. Berrellez.....	152
Bolin, William H., senior vice president, Bank of America.....	383
Broe, William C., CIA, accompanied by Lawrence R. Houston, General Counsel, and John Maury, Legislative Counsel.....	244
Clark, George J., senior vice president, First National City Bank, New York City.....	342
Cortez, Miles, Manager, corporate support programs, IBM World Trade Corp.....	377
Foster, William C., formerly director of Government affairs for the Ralston Purina Co.....	373
Geneen, Harold S., chairman and chief executive, ITT, accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Geneen.....	457
Gerrity, Edward J., senior vice president, corporate relations and advertising, ITT, accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Gerrity.....	169, 451
Goodrich, Bernard A., manager of press relations, ITT, accompanied by John H. Schafer, counsel, ITT; and Phil E. Gilbert, Jr., counsel for Mr. Goodrich.....	87
Greene, James R., senior vice president and deputy manager, International Division, Manufacturers Hanover Trust Co., accompanied by George Balammut, attorney.....	357
Gulfoyle, John W., vice president, group executive for Latin American operations, accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Gulfoyle.....	207
Hendrix, Hal, ITT public relations director, Latin America, accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Hendrix.....	126
Hennessey, John M., Assistant Secretary of the Treasury for International Affairs.....	321
Hobbling, Enno, formerly with the Council of the Americas.....	380
Korry, Edward Malcolm, former U.S. Ambassador to Chile.....	277
Lillicotch, Raymond, assistant vice president, First National City Bank, New York City.....	345
McCone, John A., director, ITT.....	93
Mecham, Ralph, vice president, Washington, Anaconda Co.....	265
Mercer, Lyle, director of Washington services for the Kennecott Copper Corp.....	318
Merriam, William R., executive representative for International Trade, ITT, accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Merriam.....	4
Meyer, Charles A., former Assistant Secretary of State for Latin America Affairs.....	398
Neal, Jack D., international relations director, ITT; accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Neal.....	59, 448
Ogden, William S., executive vice president of the Chase Manhattan Bank, accompanied by Roy C. Haberkern, attorney.....	364
Peterson, Hon. Peter G., Ambassador at Large.....	428
Quigley, William E., vice chairman of the Board of the Anaconda Co., accompanied by John Roderick Heller III, attorney.....	263
Raddatz, Ronald, Bank of America.....	392

# IV

## Testimony of—Continued

	Page
Rohatyn, Felix George, member, Board of Directors, ITT.....	487
Ryan, John F., director, ITT Information Services, Washington, accompanied by John H. Schafer, counsel, ITT, and Phil E. Gilbert, Jr., counsel for Mr. Ryan.....	53
Vaky, Viron Peter, Ambassador of the United States to Costa Rica..	433
Inserts for the record:	
Memorandum proposing 18-point program of action attached to Letter of October 1, 1971 to Mr. Peterson.....	41
Memorandum to Robert L. James from Ronald R. Raddatz, Bank of America, dated February 9, 1971.....	44
ITT income from foreign investments, and positive trade balance 1968-1972 .....	219
Certain data respecting ITT's investment in Chilitelco.....	221
Embassy of Chile press release.....	228
Press release of Senator Frank Church on the release of the transcript of the testimony of William V. Broe, CIA.....	261
Letter to Senator J. W. Fulbright, from Gene Hill, Santiago, Chile, dated September 8, 1970.....	310
Letter to Eugene Hill from Ambassador Edward M. Korry, dated September 14, 1970.....	310
Letter to Eugene Hill from Senator J. W. Fulbright, dated September 18, 1970.....	310
IFI—Estimated financial flows to Chile.....	341
International Telephone & Telegraph Corp., 1971 U.S. income taxes paid .....	468
Appendices:	
Appendix I—Supplemental Background Material.....	517
Appendix II—ITT Internal Documents, 1970.....	558
Appendix III—ITT Internal Documents, 1971.....	766
Appendix IV—Aneconda and Kennecott Documents.....	1009
Index—Appears at the end of Part 1.	

# THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

TUESDAY, MARCH 20, 1973

UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church (chairman), presiding.

Present: Senators Church, Symington, Muskie, Case, and Percy.  
Also present: Mr. Levinson and Mr. Blum of the subcommittee staff.

Senator CHURCH. The hearing will please come to order.

## OPENING STATEMENT

In May 1972, the Senate Foreign Relations Committee voted to conduct an investigation of assertions that the International Telephone and Telegraph Co. sought to enlist the cooperation of the U.S. Government in preventing Dr. Salvador Allende Gossens from taking office as President of Chile in 1970 and, subsequently, proposed policies to U.S. Government officials designed to bring about Mr. Allende's downfall.

These allegations arose out of the publication of a number of articles by Jack Anderson, the syndicated columnist, and others, based upon purported letters and memoranda written by various executives of ITT.

The committee felt, however, in order to insure a fair and balanced investigation, it was advisable to postpone any hearings until after the U.S. presidential election.

## SCOPE OF STUDY

The committee also voted to look beyond this particular case and undertake a broad examination of the role of multinational corporations, their influence on U.S. foreign policy and their economic impact. This study will take several years to complete. It will be comprehensive in scope, and it will seek to answer, among others, such questions as the following:

Do the activities of the multinational corporations advance the interests of the people of the United States taken as a whole? Are they exporting jobs which might otherwise be kept at home? Do they

prefer to invest rather than export abroad because of the demands of the world market, or do our own government's policies skew the options in favor of investing? How do we achieve an increasingly open world economic system, and, at the same time, guarantee our own people that they will be gainfully employed? To what extent have our foreign aid programs been used to service the special needs of American-owned corporations abroad and to what extent should they be? Are investment incentives offered by the Federal Government to induce foreign investment by private capital either necessary or desirable in today's developing world? Finally, we shall seek to determine to what extent there is a coincidence of interest between the multinational corporations and U.S. foreign policy in selected key areas of the world.

In this hearing, we shall seek to ascertain whether the ITT corporation and the Central Intelligence Agency cooperated in an effort to prevent Salvador Allende Gossens from being elected President of Chile in 1970; whether the company sought to induce other U.S. corporations to cooperate with it in bringing pressure upon U.S. Government officials to adopt policies which would make life more difficult for Mr. Allende's government; whether the ITT company proposed to U.S. Government officials policies designed to bring pressure on Mr. Allende's government, and, possibly, to lead to Mr. Allende's downfall; whether, as Mr. Allende has alleged, there was a credit embargo imposed on Chile by U.S. banks.

The telephone properties of the ITT company were guaranteed against expropriation by an insurance policy originally issued by the Agency for International Development. This policy is now administered by the Overseas Private Investment Corporation. The Chilean Government has intervened in the properties of the company. In the event the company is entitled to compensation, the potential liability for OPIC, which is federally financed, is an estimated \$96.5 million.

The answers to the above questions may have a bearing on whether the company is entitled to be paid compensation under the insurance policy.

The multinational corporation is a relatively new phenomenon. It has only recently become a part of the American public consciousness, despite the fact that American overseas investment has had an explosive growth in the years following World War II. This growth is not limited to Latin America. The American presence abroad is pervasive and geographically widely distributed. It plays a significant role in such diverse areas as Australia, Canada, and the European Economic Community as well as Latin America.

In all of these areas, we can discern a rising tide of nationalism, which increasingly bears upon the role of the multinational corporations, largely U.S.-owned, in the economies and societies of these countries. It may be critical for the survival and viability of these corporations, that there be agreed upon standards of conduct in the countries in which they operate.

Recently, in Houston, I delivered a speech on the scope of these hearings in which I went into their purpose in greater detail. If there is no objection on the part of the members of the subcommittee, I would like to ask that that speech be incorporated in the hearing record.

[For the speech referred to, see Appendix I, p. 517.]

Senator CHURCH. I understand that Senator Case, who is the ranking minority member of the subcommittee, also has an opening statement that he would like to read at this time. Senator Case.

Senator CASE. Thank you, Mr. Chairman. Your statement has been quite comprehensive and I shall not duplicate it.

Senator CHURCH. Very well.

#### PURPOSE OF HEARINGS

Senator CASE. We are meeting today and over the next 10 days to investigate allegations of interference by U.S. companies in the internal affairs of other countries. Among these allegations are charges that ITT, with or without encouragement from the CIA, improperly attempted to influence the course of elections in Chile.

The subcommittee must investigate these allegations without fear or favor. In so doing we must avoid both partisanship and prejudgment regarding the Chilean regime or ITT, American multinational corporations or the CIA, for that matter.

The American people have a right to know what was done and it is our duty to find that out. That is our purpose. We have to get to the bottom of these questions but, as the chairman indicated, we must inquire into the larger questions also. We have to ask whether it is normal for U.S. multinational corporations to attempt to make the foreign policy of this country, and we have to ask whether it is normal for the CIA to ask favors of international U.S. companies. If so, what are the consequences of this activity? What is the line between proper and improper activities by U.S. multinational corporations in foreign countries and by foreign multinational corporations in the United States?

Among other matters of possible interest to this subcommittee, are the link between private investment and U.S. foreign policy in the developing world and the role of multinational corporations in the development of United States relations with the European Economic Community, Japan, and Latin American countries. I think we cannot fail to consider the foreign policy implications of the latest series of monetary crises and the role of multinational corporations in the exchange and commodity markets.

The multinational corporation is a phenomenon that has gone beyond all expectations over the last decade. We must determine the kinds of problems this development creates in the conduct of our foreign policy and that of other countries. The problem of controlling the activities of multinational corporations in those areas where control is considered necessary is particularly true in a country like ours which must not be governed by executive decree, and which must forge its policies, domestic and foreign, under full public scrutiny and with concern for the interests of all the people. Thank you, Mr. Chairman.

Senator CHURCH. Thank you very much, Senator Case.

Would any other member of the subcommittee—Senator Symington, Senator Muskie—wish to make an opening statement? No.

Very well. Our first witness this morning is Mr. William Merriam, who was vice president and chief of the Washington office of the ITT in 1970 and 1971.

## SWEARING IN OF WITNESS

Mr. Merriam, will you please stand and be sworn. Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MERRIAM. I do.

Senator CHURCH. Please be seated.

Mr. Levinson, I wonder if you would commence the questioning?

## WITNESS' NAME AND PRESENT ADDRESS

Mr. LEVINSON. Mr. Merriam, will you state your full name and present address for the purposes of the record?

**TESTIMONY OF WILLIAM R. MERRIAM, EXECUTIVE REPRESENTATIVE FOR INTERNATIONAL TRADE, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. MERRIAM**

Mr. MERRIAM. My full name is William R. Merriam and my address for the record is Via di Porta Latina 15, Rome, Italy.

## WITNESS' PRESENT AND PAST POSITIONS WITH COMPANY

Mr. LEVINSON. Mr. Merriam, what is your present position and place of employment with the company?

Mr. MERRIAM. I am an executive representative for international trade.

Mr. LEVINSON. Before this assignment what position did you hold with the company?

Mr. MERRIAM. I was a vice president, and I still am a vice president, but I was director of Washington relations.

## CONTACTS FOR WHICH WITNESS' OFFICE WAS RESPONSIBLE

Mr. LEVINSON. Did your office have responsibility for contacts with U.S. agencies and offices in Washington, D.C.?

Mr. MERRIAM. Yes.

Mr. LEVINSON. Did this include the office of the President?

Mr. MERRIAM. Yes.

Mr. LEVINSON. Did it include contacts with the Central Intelligence Agency as well?

Mr. MERRIAM. No.

## WITNESS' ACQUAINTANCE WITH WILLIAM V. BROE

Mr. LEVINSON. Are you acquainted with a Mr. William V. Broe?

Mr. MERRIAM. Yes.

Mr. LEVINSON. When did you first meet Mr. Broe?

Mr. MERRIAM. I first met Mr. Broe on July 16 in 1970.

Mr. LEVINSON. Who introduced you to Mr. Broe?

Mr. MERRIAM. I introduced myself to Mr. Broe.

Mr. LEVINSON. Was Mr. Harold Geneen, president of the company, present at that time?

Mr. MERRIAM. Not when I introduced myself, but in 10 or 15 minutes afterwards he came into—

## MEETING WITH MR. BROE AND MR. GENEEN

Mr. LEVINSON. Will you describe the circumstances of that meeting with Mr. Broe and Mr. Geneen?

Mr. MERRIAM. Mr. Geneen came into the lobby of the Carlton Hotel, and I introduced him to Mr. Broe, having just met Mr. Broe briefly, and there was no conversation other than an introduction.

At that point, Mr. Broe and Mr. Geneen left the lobby of the hotel.

Senator CHURCH. Did Mr. Geneen come to the hotel for the purpose of meeting Mr. Broe?

Mr. MERRIAM. Yes.

Mr. LEVINSON. Did you arrange this meeting between Mr. Geneen and Mr. Broe?

Mr. MERRIAM. No, sir. I do not remember arranging the meeting.

Mr. LEVINSON. What time did Mr. Geneen arrive at the hotel and go up to his room with Mr. Broe?

Mr. MERRIAM. Well, it is hard to be specific, but I think it was about 10:15, 10:30 in the evening.

Mr. LEVINSON. After you introduced Mr. Broe to Mr. Geneen, they went up to Mr. Geneen's hotel room in the Sheraton Carlton Hotel?

Mr. MERRIAM. I think so, although I did not go with them. I put them on the elevator and that is the last I saw at that time.

Senator CHURCH. You understood that was where they were going?

Mr. MERRIAM. Yes, that is true.

Senator CHURCH. Is this a room kept by ITT?

Mr. MERRIAM. Yes.

Senator CASE. Mr. Chairman, I would like to ask one question at this point to keep the chronology right. How did you happen to meet Mr. Broe at that time in the corridor? Was it pursuant to an arrangement that you made with him or someone had made for you?

Mr. MERRIAM. Yes.

Senator CASE. Who did that?

Mr. MERRIAM. Mr. Geneen.

Senator CASE. Mr. Geneen did. He made the appointment, although he had not met Mr. Broe before?

Mr. MERRIAM. Not to my knowledge.

Senator CASE. I see.

Mr. LEVINSON. Now, about how long did you wait in the lobby before Mr. Broe came down?

Mr. MERRIAM. Somewhere between 20 and 25 minutes.

Mr. LEVINSON. Did Mr. Geneen accompany Mr. Broe to the lobby?

Mr. MERRIAM. On the downward, yes, he did.

## WHAT MR. GENEEN TOLD WITNESS CONCERNING MR. BROE

Mr. LEVINSON. Did Mr. Geneen tell you to stay in touch with Mr. Broe? Did he use words to the effect, "He is the head of the Latin American end of the business"?

Mr. MERRIAM. He told me to stay in touch with Mr. Broe, and; as I remember it, he told me who he was, that he was in the Latin American Division of the CIA.

Mr. LEVINSON. Did he describe Mr. Broe's responsibilities in the Latin American Division of the CIA?

Mr. MERRIAM. He did not, not to me.

Mr. LEVINSON. All right.

Did you know at that time that Mr. Broe was head of the Clandestine Services Western Hemisphere Division, the Director of Plans, of the Central Intelligence Agency?

Mr. MERRIAM. I did not.

Mr. LEVINSON. Did you know subsequently that was Mr. Broe's position?

Mr. MERRIAM. I knew subsequently he was head of the Latin American Division of the CIA but not the clandestine part.

Mr. LEVINSON. Did Mr. Geneen inform you of the contents of his conversation with Mr. Broe?

Mr. MERRIAM. Never to this day.

Mr. LEVINSON. So the only thing he told you was to stay in touch with Mr. Broe?

Mr. MERRIAM. That is correct.

Mr. LEVINSON. When we met you earlier and interviewed you, according to our notes you told us that additionally he did say he was the head of the Latin American end of the business. Did he not say that to you?

Mr. MERRIAM. That is what I remember his saying, that is what I just said, yes.

Mr. LEVINSON. What was the other end of the business?

Mr. MERRIAM. I am sorry, sir?

Mr. LEVINSON. What was the other end of the business?

Mr. MERRIAM. What business?

Mr. LEVINSON. When Mr. Geneen told you that Mr. Broe was the head of the Washington end of the Latin American business, was there any reference to any other end of the CIA Latin American business?

Mr. MERRIAM. No. The Washington end, you mean?

Mr. LEVINSON. Yes.

Mr. MERRIAM. Yes; just the Washington end of that business.

Mr. LEVINSON. Did Mr. Geneen inform you as well that he had spoken with Mr. Broe by telephone on July 27?

Mr. MERRIAM. Sorry. Would you repeat that question?

Mr. LEVINSON. Yes. Did Mr. Geneen at any time inform you that he had a telephone conversation with Mr. Broe on July 27, 1970?

Mr. MERRIAM. He did not.

Mr. LEVINSON. So you have no knowledge if such a conversation took place?

Mr. MERRIAM. I do not.

Mr. LEVINSON. As far as you are concerned, this first meeting with Mr. Broe served to introduce you to him and enable you to contact him in the future?

Mr. MERRIAM. That is right.

#### MR. GENEEN'S MEETING WITH ATTORNEY GENERAL MITCHELL

Mr. LEVINSON. According to testimony before the Senate Judiciary Committee, Mr. Geneen met with Attorney General John Mitchell on August 4, 1970. Did you arrange that meeting?

Mr. MERRIAM. I did not.

Mr. LEVINSON. If you did not arrange the meeting, who did arrange it?

Mr. MERRIAM. I think it was a member of our staff, not me.



Mr. LEVINSON. Do you know which member of your staff arranged it?

Mr. MERRIAM. I am not positive, no.

Senator SYMINGTON. If the Chair would yield. You think it was a member of your staff? Who do you think it was?

Mr. MERRIAM. Well, that would be guessing, Senator.

Senator SYMINGTON. You are doing the guessing.

Mr. MERRIAM. I do not like to guess without knowing the real fact that he did it.

Senator SYMINGTON. All right.

Mr. LEVINSON. Can we ask counsel to ascertain who in Mr. Merriam's office arranged this meeting with Mr. Mitchell on August 4, 1970?

Mr. SCHAFER. Surely.

Mr. LEVINSON. All right.

Did Mr. Geneen at any time inform you of what happened in that meeting on August 4, 1970, with Mr. Mitchell, what was discussed?

Mr. MERRIAM. He never mentioned the subject of the meeting upstairs.

Mr. LEVINSON. Do you know whether the problems that ITT was having in Latin America were a subject of discussion at that meeting?

Mr. MERRIAM. I do not know.

Mr. LEVINSON. Were you later told that the meeting with John Mitchell was arranged by Vice President Agnew?

Mr. MERRIAM. I never heard that.

Mr. LEVINSON. You never heard that.

#### POSSIBLE MEETING WITH MR. COLSON AND MR. EHRLICHMAN

On Friday, August 8, did you and Mr. Geneen meet with Mr. Colson and Mr. Ehrlichman of the White House staff?

Mr. MERRIAM. That is hard for me to say yes or no, because I do not recollect the meeting. It is possible.

Mr. LEVINSON. It is possible.

If such a meeting took place, and if you will try to refresh your recollection, can you recall whether Mr. Geneen discussed ITT's problems in Latin America at that meeting with Mr. Ehrlichman and Mr. Colson?

Mr. MERRIAM. I cannot answer that question, Mr. Levinson. I do not recall.

Senator CHURCH. You recall neither such a meeting nor what was discussed?

Mr. MERRIAM. No, because there were many such meetings with people.

Senator CHURCH. There were many such meetings with people like Mr. Ehrlichman?

Mr. MERRIAM. No, Government people. I do not mean to say a particular person.

Senator SYMINGTON. Will the Chair yield? Did you ever meet with Mr. Ehrlichman?

Mr. MERRIAM. Yes, I have met with Mr. Ehrlichman.

Senator SYMINGTON. How many times, roughly?

Mr. MERRIAM. Twice, I think, in my life.

Senator SYMINGTON. And how many times do you think Mr. Geneen has met with Mr. Ehrlichman?

Mr. MERRIAM. Twice that I know of, because I was there.

Senator SYMINGTON. Thank you.

Senator CASE. You were there. When was that?

Mr. MERRIAM. I would have to ask counsel to refresh my memory. I do not have any idea.

Senator CASE. All we are trying to find out is whether your uncertainty about this meeting is whether it took place at all or when it took place. You have no uncertainty about the fact that there was a meeting?

Mr. MERRIAM. The dates are the only thing I am uncertain about.

Senator CASE. The dates are the only thing you are uncertain about. The meetings took place?

Mr. MERRIAM. Yes.

#### DISCUSSIONS OF ITT'S PROBLEMS IN CHILE

Mr. LEVINSON. Whenever you were at these meetings, Mr. Merriam, were ITT's problems in Chile discussed?

Mr. MERRIAM. Only in a vague sort of way insofar as the expropriation policy of the United States was concerned.

Mr. LEVINSON. Could you expound a little bit more when you say "only in a vague sort of way"? What do you mean by "in a vague sort of way"?

Mr. MERRIAM. Well, I mean that we had heard that the Government—the Nixon administration—was working on a new expropriation policy, and we asked about progress of that report, and when it was coming out, or whether it was coming out.

Mr. LEVINSON. Did Mr. Geneen express to Mr. Colson and Mr. Ehrlichman a concern about the outcome of the forthcoming Chilean presidential election?

Mr. MERRIAM. I do not remember that.

Mr. LEVINSON. Can you state definitively that he did not?

Mr. MERRIAM. No, I cannot.

Senator CHURCH. You do remember, however, that there was some discussion of ITT's property in Chile? That was why you were asking about what the administration policy toward expropriation would be. Is that not correct?

Mr. MERRIAM. I think that is possibly a fair statement.

#### REQUEST FOR DOCUMENTS AND RESERVATION OF RIGHT TO RECALL WITNESS

Mr. LEVINSON. Mr. Chairman, so that the subcommittee may be fully apprised of what happened at the meeting between Mr. Geneen and Mr. Merriam and Mr. Colson and Mr. Ehrlichman as well as what happened at the earlier meetings between Mr. Geneen, Mr. Mitchell, Vice President Agnew and Mr. McClaren, I suggest that the subcommittee request that ITT deliver the following documents: A memorandum dated August 10, 1970, marked personal and confidential and also designated as urgent from Mr. Ryan and to Mr. Gerrity; a letter dated on or about August 7, 1970, to Mr. Spiro Agnew from Ned Gerrity thanking him and enclosing a memorandum discussing the

meeting between Mr. Geneen and Mr. Mitchell; a letter dated August 7, 1970, to Mr. Colson from Tom Casey, relating to the events of the August 7 meetings. [See Appendix I, pp. 551, 552, 555.]

I further suggest that the subcommittee reserve the right to recall Mr. Merriam for further questioning with respect to the contents of these documents should the subcommittee deem them relevant.

Senator CASE. Mr. Chairman, would it be well, before the subcommittee acts on the suggestion, to have the titles of the people named by Mr. Levinson identified, Mr. Ryan, Mr. Gerrity, Mr. Casey?

Mr. LEVINSON. Yes. Mr. Gerrity is senior vice president, Corporate and Public Relations and Government Relations of the International Telephone & Telegraph Co. Mr. Ryan is the director of ITT's Information Services, Washington, D.C. I am not sure exactly who Mr. Casey is.

Senator CASE. Perhaps Mr. Merriam could identify him.

Mr. MERRIAM. At that time Mr. Casey was, I have forgotten the exact title, but his area was the Defense Department, is what he covered.

Mr. LEVINSON. Out of your office?

Mr. MERRIAM. Out of my office.

Mr. LEVINSON. The Washington office of ITT?

Mr. MERRIAM. Yes.

Senator CHURCH. These documents do seem relevant to the inquiry, and I think they should be produced.

Mr. SCHAFER. As you know, Senator, we have produced every document that the subcommittee has ever before asked, and we would be delighted to produce these.

Senator CHURCH. Very well. The subcommittee then would request, if there is no objection, that these documents be turned over to the staff as quickly as they can be made available.

Mr. SCHAFER. Sure, we would be delighted.

Senator CHURCH. Thank you.

#### AUGUST 19, 1970, MEETING WITH MAURICE STANS

Mr. LEVINSON. Mr. Merriam, on August 19, 1970, a meeting occurred with Maurice Stans and you received a memorandum dated August 24 from Mr. Ryan relating to that meeting. You attended that meeting, did you not?

Mr. MERRIAM. I do not think I did, sir. I think I was on vacation at that time.

Mr. LEVINSON. Do you know what the subject matter of the discussion was at that meeting?

Mr. MERRIAM. I have read the memo.

Mr. LEVINSON. Can you tell us what was discussed at that meeting?

Mr. MERRIAM. I do not have a copy of the memo here so I cannot tell you without having my memory refreshed, you know.

Mr. LEVINSON. Were ITT's properties in Chile a subject of discussion at that meeting as well?

Mr. MERRIAM. There again, I cannot say because I have not seen the document.

Mr. LEVINSON. May we ask you to produce that memorandum of conversation as well? [See Appendix I, p. 555.]

Mr. SCHAFER. Surely.

Mr. LEVINSON. Thank you.

Mr. Merriam, I would like to return——

Senator CHURCH. I have one further question, if I may interrupt. Mr. Merriam, in connection with that memorandum, did you do anything in response to it after you received it?

Mr. MERRIAM. No, sir.

#### WITNESS' SUBSEQUENT MEETING WITH MR. BROE

Mr. LEVINSON. Mr. Merriam, I would now like to return to your subsequent meetings with Mr. Broe.

Did you meet with Mr. Broe again before the Chilean presidential elections of September 4, 1970?

Mr. MERRIAM. I did not.

#### 1970 CHILEAN PRESIDENTIAL ELECTION RESULTS

Mr. LEVINSON. On September 4, 1970, Mr. Allende won a narrow plurality of the presidential vote. Mr. Allende was, of course, the candidate of the United Popular Front, which included the Socialist and Communist Parties. But since he did not win a majority, the presidential decision had to go to the Congress, did it not?

Mr. MERRIAM. That is correct.

Mr. LEVINSON. All right.

Senator CHURCH. I think it might be well to place the results of the election in the record at this point. Mr. Allende received 1,075,616 or 36.3 percent of the vote; Mr. Alessandri received 1,036,278 votes or 35.3 percent of the vote; and Mr. Tomic received 524,840 votes or 28.4 percent of the total popular vote.

Mr. LEVINSON. Thank you, Mr. Chairman.

#### WITNESS' LUNCHEON WITH MR. BROE AFTER ELECTION

After the September election, Mr. Merriam, did you call Mr. Broe and invite him to lunch on September 22 at the Metropolitan Club?

Mr. MERRIAM. I had lunch with him on September 22. I called him before that to arrange the date.

Mr. LEVINSON. Right, and to invite him to lunch?

Mr. MERRIAM. That is right.

Mr. LEVINSON. OK.

You had received by this time a cable which had been sent to the ITT offices in Washington and New York by Mr. Hendrix and Mr. Berrellez, dated September 17, 1970. Did you discuss the contents of this cable with Mr. Broe?

Mr. MERRIAM. I had previously sent this memo to Mr. Broe upon receipt of same.

Mr. LEVINSON. Did Mr. Broe send a messenger to pick it up?

Mr. MERRIAM. Yes, at my request.

Mr. LEVINSON. At your request. So, Mr. Broe had already seen the cable by the time you met him for lunch on the 22nd?

Mr. MERRIAM. That is correct.

Mr. LEVINSON. Were there other times when you would call Mr.

Broe and inform him that you had a report from Santiago that he might be interested in?

Mr. MERRIAM. Yes.

Mr. LEVINSON. And would he send a messenger to pick up those reports?

Mr. MERRIAM. Yes.

Mr. LEVINSON. At this September 22 luncheon, did Mr. Broe give you his assessment of the prospects of the so-called Alessandri formula?

Mr. MERRIAM. Would you mind repeating: did he do what?

Mr. LEVINSON. Did he give you his assessment of the prospects for success of the so-called Alessandri formula?

Mr. MERRIAM. I did not remember his getting specific as to that point at that first meeting.

Mr. LEVINSON. Did you discuss the political situation in Chile at that time with Mr. Broe?

Mr. MERRIAM. The chances for Allende's victor or defeat was discussed.

Mr. LEVINSON. Right.

#### ALESSANDRI FORMULA

Let me refresh your recollection as to the Alessandri formula. The first reference to this that I can find is in Mr. Berrellez' post-election summary, dated September 7, 1970.

Let me read a short summary of what the Alessandri formula was all about.

Senator CHURCH. Will you explain what it is that you are reading?

Mr. LEVINSON. I am reading from documents which were provided by the International Telephone and Telegraph Co. pursuant to the request of the subcommittee. The document from which I am reading is a September 7 cable from Mr. Berrellez, who was a member of the ITT corporate Public Relations Department, operating out of Buenos Aires and reporting to New York on the Chilean political situation at that time. This September 7 cable is Mr. Berrellez's first summing up of the political situation immediately after the September 4 popular election. [See Appendix II, p. 582.]

Senator CHURCH. Very well.

Mr. LEVINSON. At paragraph 8 he notes and describes the Alessandri formula. He says that "Dr. Matte"—Dr. Matte was a close political adviser to Mr. Alessandri—"said that with Frei and the armed forces' support, a larger segment of the Christian Democratic bloc would be persuaded to vote for Alessandri. Once elected by Congress, Dr. Alessandri would go back to his old pledge and resign the presidency. This would result in new elections in which Frei would be eligible for another presidential term. Frei's stature is such, most Chileans believe, he would defeat any opposition candidate."

#### WHAT WAS DISCUSSED AT WITNESS, MEETINGS WITH MR. BROE?

Did you discuss the prospects for success of this particular political solution with Mr. Broe?

Mr. MERRIAM. No, I did not.

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Mr. LEVINSON. Mr. Broe did not not outline to you his assessment at that meeting?

Mr. MERRIAM. Not that I recall.

Mr. LEVINSON. What did you talk about?

Mr. MERRIAM. We talked about the, as I said, the prospects of an Allende victory or not and he was pretty sure at that point that he would win. And—

Senator CHURCH. This meeting took place after the popular election, did it not?

Mr. MERRIAM. Yes, we are talking before the congressional elections.

Senator CHURCH. Had it not been customary practice, to your knowledge, in Chile that the candidate receiving the plurality of the vote was installed as President by the Congress?

Mr. MERRIAM. Not that I know of.

Mr. LEVINSON. You do not know—

Mr. MERRIAM. I have never been familiar with Chilean elections.

Mr. LEVINSON. You are just not familiar with what the practice was?

Mr. MERRIAM. That is right.

Mr. LEVINSON. Had you become familiar with that practice during the course of the conversations with Mr. Broe?

Mr. MERRIAM. Not with Mr. Broe but as a result of the memorandum from H.B., as we say, Hendrix and Berrellez, I then became familiar with it.

Mr. LEVINSON. You then became familiar with it and it is true, is it not, that the political custom in Chile had been that the candidate receiving a plurality of the vote was customarily installed by the Congress?

Mr. MERRIAM. That is right. If he does not have enough.

Senator MUSKIE. Mr. Merriam, did you discuss with Mr. Broe any plans, proposals, or suggestions to stop the Allende election?

Mr. MERRIAM. No, sir, we did not.

Senator MUSKIE. Did you, on any other occasion, discuss such plans with Mr. Broe?

Mr. MERRIAM. That is a hard question to answer. Would you repeat the question, Senator, please?

Senator MUSKIE. Did you on any other occasion discuss with Mr. Broe proposals or suggestions or plans—whether those of the United States Government or of ITT—to stop Allende?

Mr. MERRIAM. No, sir, never.

Senator CASE. Mr. Chairman, does your answer also apply in the negative to any discussion of the possibility of removing Allende after he had been elected by Congress?

Mr. MERRIAM. No, we did not discuss that.

Senator CASE. You did not discuss that possibility?

Mr. MERRIAM. Not that I can recall.

#### PURPOSE OF WITNESS' MEETINGS WITH MR. BROE

Senator SYMINGTON. If you did not discuss any of this with Mr. Broe, what did you meet several times about?

Mr. MERRIAM. Senator, the purpose of the meetings, as I had them in my mind, was to exchange information between what we knew in

Chile as a result of the H.B. memorandum, the Hendrix-Berrellez memorandum, and to confirm or to have him deny whether or not he got the same information. And that is basically the purpose of the meetings.

#### HENDRIX AND BERRELLEZ MEMORANDUM

Senator CASE. You mean the memorandum or telegram of September 7?

Mr. MERRIAM. Seventeen was the one I am referring to in particular.

Senator CASE. I was not sure. Had you seen that memorandum or telegram?

Mr. MERRIAM. Yes, sir.

Senator CASE. Had you seen the earlier one?

Mr. MERRIAM. I do not recall seeing the earlier one.

Senator CASE. I see.

Mr. LEVINSON. We have a memorandum from Mr. Gerrity to Mr. Geneen in which Mr. Gerrity says, "The Hendrix and Berrellez memo which we discussed last Friday," that is the September 17 one, "has been confirmed. Bill Merriam reviewed the actions being taken today with the man you introduced him to some months ago. It is clear that the strategy outlined in the Hendrix memorandum is the best course to be followed. Bill's contact suggested that all possible pressures be exerted. He reported that pressure is building on the scene."

This message refers to your conversation with Mr. Broe, does it not?

Mr. MERRIAM. Yes, it does.

Mr. LEVINSON. The strategy that Mr. Hendrix was recommending can be found in his memorandum of September 17.

Senator CHURCH. I wonder if I might at that point read these and then put a question to the witness. Reading from the memo now at the point where Mr. Levinson left off:

We have recommended, apart from direct assistance, the following:

We and other U.S. firms in Chile pump some advertising into Mercurio. (This has been started.)

2. We help with getting some propagandists working again on radio and television. There are about 20 people that the Matte and Edwards groups were supporting and we should make certain they are revived. Allende now controls two of the three TV stations in Santiago and has launched an intensive radio campaign.

3. Assist in support of a "family relocation" center in Mendoza or Baires for wives and children of key persons involved in the fight. This will involve about 50 families for a period of a month to 6 weeks, maybe 2 months.

4. Bring what pressure we can on USIS in Washington to instruct the Santiago USIS to start moving the Mercurio editorials around Latin America and into Europe. Up until I left, they were under orders not to move anything out of Chile.

5. Urge the key European press, through our contacts there, to get the story of what disaster could fall on Chile if Allende & Co. win this country.

These are immediate suggestions, and there will be others between now and October 24 as pressure mounts on Frei and the Christian Democrats.

#### PURPOSE OF HENDRIX-BERRELLEZ RECOMMENDATIONS

If these recommendations were not intended to obstruct Mr. Allende or make it more difficult for him to win the vote in the Congress that would install him as President, what were the recommendations for?

Mr. MERRIAM. Those were ideas that came out of Chile from our people.

Senator CHURCH. To do what?

Mr. MERRIAM. You can read what you want into them. I do not know what they are for.

Senator CHURCH. What else can be read into them? They are referred to as recommendations, and they obviously are all directed against Mr. Allende and intended to create difficulties inside Chile for his cause.

Mr. MERRIAM. I do not think it is true that they are all directed against Allende.

Senator CHURCH. Who else were they directed against?

Mr. MERRIAM. Well, family relocation centers, what has that got to do with Allende?

Senator CHURCH. Why was the family relocation center necessary?

Mr. MERRIAM. You will have to ask some other people; I do not know.

Senator CHURCH. You do not know what the family relocation center—

Mr. MERRIAM. No.

Senator CHURCH [continuing]. Was for?

Mr. MERRIAM. I do not.

Mr. LEVINSON. Perhaps, Mr. Chairman, when Mr. Hendrix and Mr. Berrellez get here tomorrow, we can elicit from them precisely why a family relocation center was necessary and who was going to carry on the fight and what kind of a fight was contemplated.

Senator CHURCH. Mr. Merriam, excuse me, and then I will defer to Senator Muskie.

#### SUBMISSION OF RECOMMENDATIONS TO MR. BROE

Here we have very specific recommendations. I have read them. They speak for themselves, and, as I understood your testimony, you discussed these at lunch with Broe.

Mr. MERRIAM. No, sir. You misunderstood. I handed this memorandum to Mr. Broe 2 or 3 days beforehand. He said at the luncheon that he agreed with the recommendations, period.

Senator CHURCH. So 2 or 3 days beforehand you had submitted these recommendations to Broe. You did that with a serious purpose, did you not?

Mr. MERRIAM. Only to keep him informed of what we were doing in the south, in Chile.

#### WERE RECOMMENDATIONS COMPANY ACTIVITY?

Senator CHURCH. What does the word "recommendations" mean? Is that not a suggested course of action that the company favored? Is that not the meaning of a recommendation?

Mr. MERRIAM. There again, you will have to ask Mr. Berrellez what he meant by those. I cannot interpret his writing, sir.

Senator CASE. When you said you were keeping Mr. Broe informed as to what the company was doing, you mean that the recommendations stated in the telegram that you gave him were company activities? Would the reporter read the answer—

Mr. MERRIAM. I am sorry.



Senator CASE [continuing]. To which I am referring. If you will read back, I think it is at the point where Mr. Merriam talked of sending the memorandum to Mr. Broe. Would you read that?

[The reporter read the answer. (See testimony p. 10.)]

Senator CASE. "We," that means ITT?

Mr. MERRIAM. No, it does not mean ITT; it means the people who were writing this memo.

Senator CASE. You identified yourself with them, did you not? You used the word "we."

Mr. MERRIAM. Well, perhaps I was not correct.

Senator CHURCH. The people who were writing the memorandum were ITT people?

Mr. MERRIAM. That does not mean it is ITT's policy.

Senator CASE. Did you dissent from this when you forwarded the memorandum to Mr. Broe?

Mr. MERRIAM. I did not comment on it, sir. I just gave it to him.

Senator CASE. Just now when you said your purpose was to tell Mr. Broe what "we were doing in the south," why did you not qualify your statement then?

Mr. MERRIAM. Well, because I should have.

Senator CHURCH. Are you inferring that these two people who were employed by ITT would be engaged in activity on their own, contrary to the policy of the ITT?

Senator CASE. And would they not be reprov'd at once and ordered to stop?

Senator CHURCH. Having reported in full their activity.

Senator CASE. Instead of that, you gave the report to the Central Intelligence Agency, giving them every right to believe this was company policy, as you, in your first answer, stated.

Mr. GILBERT. Excuse me, Senator, my name is Gilbert, and I am representing Mr. Merriam here. I think Mr. Merriam is somewhat confused by this question because he has already stated that this is a description of recommendations, and I believe he is confused by reason of the fact that you said that this was a portrait of their activity, and I think that is where the confusion comes from.

Senator CASE. If the word "activity" is troublesome, the reason I used it is because of Mr. Merriam's first answer in which he said, as I recall, "because I wanted him to know what we were doing".

Mr. GILBERT. Yes, sir; I am not complaining about your use. I believe that is why Mr. Merriam is having some difficulty in responding because he has handed out a list of recommendations which came up from there, but they do not describe activity.

Mr. LEVINSON. I beg to differ with counsel there. The cable itself says they have increased advertising in Mercurio. It says, as a matter of fact, "This has been started." With respect to Mr. Merriam, it was not simply listing, was it, now? Another part of the recommendation is that they move the Mercurio editorials around Latin America.

#### MR. GOODRICH'S VISIT TO USIS CONCERNING MERCURIO

Is it not true, Mr. Merriam, that you sent Mr. Goodrich of your office to USIS for the purpose of "letting them know what we were doing in terms of supporting Mercurio's shaky financial situation."

I would like to refer now to Mr. Goodrich's memorandum to you in which he reports on his visit to USIS for the purpose of persuading them to get the Mercurio editorials around Latin America. Mr. Goodrich, of course, will testify here today and the Senators can ask him about what he was doing at USIS in promoting these editorials around Latin America. But that was an action taken to implement the Hendrix-Berrellez recommendations, was it not?

Mr. MERRIAM. He did that. I did not know he was going to do it. I did not give him the order to do it and possibly you can call it an implementation of a point.

Mr. LEVINSON. In his conversation with us he told us that he was acting under instructions.

Mr. MERRIAM. If he was, I do not recall it.

Senator MUSKIE. Mr. Chairman—

#### SIGNIFICANCE OF MR. BROE'S APPROVAL OF RECOMMENDATIONS

Senator MUSKIE. It seems to me there is a point left hanging on which I would like to touch.

You sent Mr. Broe this memorandum and you said at your meeting with him—I forget exactly how you phrased it—that he approved the recommendations. That was the extent of the discussion. What did his approval of the recommendations mean to you?

Mr. MERRIAM. But, first, Senator, he said he approved of the facts in the memorandum as presented by these gentlemen as what he knew, his people had told him what was going on, and he approved of whatever the memorandum said, yes; he approved—if they are recommendations he approved them.

Senator MUSKIE. You must have sent the memorandum to him to get his reaction.

Mr. MERRIAM. I did.

Senator MUSKIE. And you must have understood what the memorandum meant, if you were looking for his reaction, and his reaction must have meant something to you. Up to now the impression I get from your testimony is that you did not know what the memorandum signified, you did not understand what the recommendations were intended to achieve, and you did not discuss with Mr. Broe any action to be taken by you, by ITT or by the CIA. Was it simply an exchange of information?

Mr. MERRIAM. That is basically the truth, just what you have stated.

Senator MUSKIE. Have you read the memorandum?

Mr. MERRIAM. I have read the memorandum.

Senator MUSKIE. But you had read it before you met with Mr. Broe.

Mr. MERRIAM. Not studied it, but read it, yes.

Senator MUSKIE. And you sent it to him and you got his approval. Now, what did his approval signify to you at that point?

Mr. MERRIAM. Excuse me a minute. Senator Muskier, if I changed the word from "approved" to "agreed" with what was in the memorandum, would that clear up the point?

Senator MUSKIE. No; I still want to know what significance that had for you. Were you just a conduit?

Mr. MERRIAM. Was I what?

Senator MUSKIE. Were you just a conduit? I mean, did you not apply your intellectual processes to the contents of this memorandum and to his reaction to it?

Mr. MERRIAM. No; I was just a conduit in this case.

Senator MUSKIE. You mean you had no opinion as to what the memorandum signified in terms of possible action to be taken in the name of ITT in Chile with reference to the election?

Mr. MERRIAM. No; I did not.

Senator MUSKIE. You had absolutely no opinion on the significance of that memorandum?

Mr. MERRIAM. I did not, sir.

Senator MUSKIE. Incredible.

#### AUTHORITY FOR MR. GOODRICH'S VISIT TO USIS

Senator CHURCH. Counsel, before you continue, let me ask one other question that seems to be hanging here. I believe Mr. Levinson asked you whether you did not send a Mr. Goodrich from your office to the U.S. Information Service, USIS, for the purpose of attempting to implement one of those recommendations and you said you had not sent him.

Mr. MERRIAM. Per se, that is right, yes. In other words, I did not order him to go.

Senator CHURCH. What does per se mean?

Mr. MERRIAM. Well, I do not remember, I recall ordering Mr. Goodrich to carry out point number whatever it is in that memorandum.

Senator CHURCH. Do you recall receiving a memorandum back from Mr. Goodrich covering quite explicitly his conversation with USIS?

Mr. MERRIAM. Yes.

Senator CHURCH. In that memorandum does not Mr. Goodrich report to you?

Mr. MERRIAM. Yes.

Senator CHURCH. "I told them that I was there for three basic reasons. First, to let them know what we were doing in terms of supporting Mercurio's shaky financial situation; to urge them to circulate widely the Mercurio editorials throughout Latin America, if they were not already doing so; and to ask them if there is anything they can see that we can do as a private company which may not be possible for government to do. On the latter point they stressed that nothing overt should be done that could be interpreted as U.S. intervention. I assured them that our people were well experienced in that field."

Did he not report that back to you?

Mr. MERRIAM. Yes.

Senator CHURCH. He was operating under authorizations from ITT, was he not?

Senator SYMINGTON. This memorandum is written to Mr. Merriam?

Mr. MERRIAM. Yes, I got the memorandum, Senator.

Senator CHURCH. Yes, Mr. Goodrich was not acting outside the scope of his authority, was he?

Mr. MERRIAM. No. "I told them"—them was Mr. Robert Amerson, Assistant Director for Latin America, USIS. That is State Department, is it not?

Mr. LEVINSON. USIS—United States Information Service.

Senator SYMINGTON. And Mike Canning, of the USIS Chilean desk. Those are the people you told these things to, right?

Mr. MERRIAM. That is what he said, yes.

Senator SYMINGTON. That is what he was reporting to you that he told to them. Do you know what he meant by, "I assured them that our people were well experienced in that field?"

Mr. MERRIAM. No, sir, I do not know. He will be here sometime soon.

Senator SYMINGTON. Mr. Merriam, as you know, the ITT Company is asking to be reimbursed for nearly a hundred million dollars.

Mr. MERRIAM. That is right.

Senator SYMINGTON. From the American taxpayers because of what went on. That is a major reason a lot of us are interested in the problem.

Senator CHURCH. Mr. Levinson.

#### SIGNIFICANCE OF MR. BROE'S RESPONSE TO HENDRIX-BERRELLEZ MEMORANDUM

Senator MUSKIE. Could I ask one more question on the discussion with Mr. Broe on the Hendrix-Berrellez memorandum? Did you report Mr. Broe's response to anyone else in ITT?

Mr. MERRIAM. I reported his response verbally to Mr. Gerrity, my superior.

Senator MUSKIE. Did he see any significance in Mr. Broe's comments?

Mr. MERRIAM. He wrote a memorandum to the effect that he said, I think. I have forgotten the number.

Mr. LEVINSON. This is Mr. Gerrity's memorandum to Mr. Geneen of September 22, 1970.

Mr. MERRIAM. Yes, that is right. That came as a result of my telephone call to him.

Mr. LEVINSON. That is right. This memorandum says, "Bill Merriam reviewed the actions being taken today to the man you introduced him to some months ago. It is clear that the strategy outlined in the Hendrix memorandum is the best course to be followed. Bill's contact suggested that all possible pressures be exerted. He reported that pressure is building on the scene."

Senator MUSKIE. That memorandum certainly suggests that you knew the significance of Mr. Broe's response.

Mr. MERRIAM. Only—

#### HENDRIX-BERRELLEZ MEMORANDUM AS BASIS FOR RECOMMENDED ACTION SUGGESTED

Senator MUSKIE. "Bill Merriam reviewed the actions being taken today," the actions, not recommendations, but the actions being taken today "with the man you introduced him to some months ago. It is clear that the strategy outlined in the Hendrix memorandum is the best course to be followed."

Now that memorandum clearly indicates that the Hendrix-Berrellez memorandum was the basis for recommended action, that Mr. Broe approved that recommended action, that you understood that was the significance of your discussion, and Mr. Broe's reaction. Is that not so?

Mr. MERRIAM. Only that he approved it. It did not mean—well——  
 Senator MUSKIE. But, Mr. Gerrity, your superior, put down on paper the words I have just read. Those are action words, not evaluation words, are they not?

Mr. MERRIAM. Well, he approved the actions, Mr. Broe did, that were in the H.B. memorandum.

Senator MUSKIE. So he did not approve recommendations or did not simply agree to statements of fact. He approved actions. That is a different statement than you made earlier.

Mr. MERRIAM. Well, that is semantics, I think, Senator. I do not mean——

Senator CHURCH. Semantics is a definition in one word and another.

Mr. MERRIAM. That is right.

Senator CHURCH. There is a difference between recommendations and action, is there not?

Senator MUSKIE. So the sum total of your meeting with Mr. Broe was to discuss action to be taken on the basis of the Hendrix-Berrellez memorandum?

Mr. MERRIAM. Insofar as he approved those actions.

Senator MUSKIE. But they led to Mr. Gerrity's——

Mr. MERRIAM. Saying that he approved them.

Senator MUSKIE. Is the best course to be followed a course of action? Is it not?

Mr. MERRIAM. Well, it is also approval.

Senator CHURCH. Right.

Senator CASE. And he suggested that all possible pressures be exerted. That sounds like action to me.

Mr. MERRIAM. Well, I am not sure that pressures there are referring to pressures in Latin America.

Senator CASE. What is your alternative?

Senator CHURCH. "He reported that pressure is building on the scene." What is the scene?

Mr. MERRIAM. Yes, in that case that is Mr. Broe. I did not know what was going on in Latin America other than what was in here.

Senator CHURCH. Where else would the pressure be applied but on the scene? That is where you wanted to apply the pressure, was it not, and was not the scene Chile?

Mr. MERRIAM. Oh, but, Senator, my job is not Chile. My job is Washington, or was Washington.

Senator CHURCH. Right.

Mr. MERRIAM. And we, at that point, had begun to talk to the Kissinger office and the State Department about what might happen when Dr. Allende was elected—if he was elected.

Senator CHURCH. And you also were talking with Mr. Broe of the CIA and recommending a course of action, which he approved.

Mr. MERRIAM. The memorandum was recommending it, yes.

Senator CHURCH. Yes, and the memorandum came from ITT.

Mr. MERRIAM. Well, it came from people in ITT and there is a lot of difference. It was not company policy, is what I am trying to say, at that point. I cannot see that it was.

Senator MUSKIE. Was Mr. Gerrity's memorandum a statement of company policy or was it not?

Mr. MERRIAM. All he says there is that he approved—that Mr. Broe approved of what the company was doing, what the men were doing in the south, in Chile.

Senator MUSKIE. That memorandum to me is a statement of collaboration between ITT and the CIA to implement the policy recommended in the Hendrix-Berrellez memorandum. I think the burden of proofs is on you and ITT to discount that implication, and you have not done it.

Mr. MERRIAM. Well, it is very difficult for me to do it.

Senator CHURCH. I should think it would be because it is right there on paper. [Laughter.] If words mean anything at all, it is right there on paper.

#### DID CIA ASK THAT RECOMMENDATIONS OF H.B. TELEGRAM BE DONE?

Senator SYMINGTON. May I ask a question, Mr. Chairman?

Are you saying or implying you were asked by the CIA to do the things recommended in the H.B. telegram?

Mr. MERRIAM. No, I was not implying that. I was implying that what we were doing, what the boys were doing, in Chile met with the approval of the CIA.

Senator SYMINGTON. How did you know that?

Mr. MERRIAM. Because he said so.

Senator SYMINGTON. Who did?

Mr. MERRIAM. Mr. Broe.

Senator SYMINGTON. To you?

Mr. MERRIAM. Yes, he said that he approved of what we were doing, what they were doing.

#### KEEPING CIA INFORMED ABOUT COMPANY ACTIVITIES

Senator CASE. Was it usual to keep the CIA informed about company activities? It is usual?

Mr. MERRIAM. No, it is not.

Senator CASE. This was an unusual——

Mr. MERRIAM. The first time I had ever had a contract with the CIA.

Senator CASE. Have you had others of anything like similar nature since?

Mr. MERRIAM. No, only with the same man, other lunches.

Senator CASE. But in regard again to the Chilean situation?

Mr. MERRIAM. Right, sir.

Senator CASE. Only that?

Mr. MERRIAM. That is right.

Senator CASE. And as far as you know then, as far as your experience with the company goes, this was an abnormal activity?

Mr. MERRIAM. For me it was very abnormal.

Senator CASE. And so far as you know for anyone?

Mr. MERRIAM. For anyone in the company, yes, sir.

#### DID WITNESS ACT AS AGENT OF CIA?

Senator PERCY. Did you consider yourself to be acting as an agent of the CIA in any respect at any stage along the line, or were you

just implying that what you were doing was not objected to by the CIA? Are you trying to tell us that you acted as an agent of the CIA?

Mr. MERRIAM. Oh, no, Senator Percy.

Senator PERCY. So that what you were doing was keeping them informed, and they raised no objection. But did they specifically encourage you to go ahead and take action along these lines?

Mr. MERRIAM. No, only to the extent of his statement of saying "keep the pressure on."

Senator PERCY. And——

Mr. MERRIAM. That means in the United States, in my estimation.

#### MEANING OF "KEEP THE PRESSURE ON"

Senator PERCY. Would you expand on what you felt he meant, and give us some evidence as to why you felt he meant that?

Mr. MERRIAM. Because I——

Senator PERCY. "Keep the pressure on." What does it mean?

Mr. MERRIAM. What, sir?

Senator PERCY. What does "keep the pressure on" back in the United States mean?

Mr. MERRIAM. As I recall the luncheon, and do not forget this was almost 3 years ago, I told him in passing that we had made contacts with Mr. Kissinger's office and the White House, and that we were trying to tell them that if and when Allende was elected, which he was going to be, everybody knew, we would probably lose our company worth, our properties worth, \$150 million, and that is the whole purpose of anything that we in the Washington office did was to try to protect our investment.

Senator CASE. Just a question there.

Senator PERCY. Yes, I will yield, and then I would like to come back.

Senator CASE. Just on that point. The next to the last sentence of the Gerrity message we were just talking about says, "Bill's contact suggested that all possible pressures be exerted." First of all, was Bill's contact Broe?

Mr. MERRIAM. That is right.

Senator CASE. That is what that meant there. So Broe of the CIA suggested "all possible pressures be exerted." That means pressures by the company in the United States against the White House?

Mr. MERRIAM. Not against.

Senator CASE. With the White House?

Mr. MERRIAM. In cooperation with.

Senator CASE. With the White House?

Mr. MERRIAM. Yes.

Senator CASE. Well, now wait, do you mean in collaboration with?

Mr. MERRIAM. In collaboration with.

Senator CASE. Then, that means that you and the White House were going to put pressures on somebody else, on whom?

Mr. MERRIAM. No, it does not mean that.

Senator CASE. How do you pressure somebody in collaboration with himself?

Mr. MERRIAM. We reported to Dr. Kissinger's office what we thought

was happening in Chile and asked for help, not regarding the election or reelection.

Senator CASE. I do not mean to quibble about this at all. I just am trying to figure out what these words mean. Does it possibly mean that a CIA man is urging the ITT to go to the White House and put on pressure? What interest has the CIA that it could not have exerted directly on the White House?

Mr. MERRIAM. That is a very good question. I do not know the answer.

Senator CASE. You do not want us to believe this is what you mean. Do you mean pressures with other companies, other American companies? Is that what you are talking about?

Mr. MERRIAM. We had no contact with other American companies.

Senator CASE. No, no, what did the suggestion mean to your mind?

Mr. MERRIAM. The suggestion meant to me as an individual that we in the Washington office should exert or should press our contacts in the U.S. Government, particularly in those two offices that I mentioned, to let them know and to keep them informed that we were in deep trouble—informed that we were in deep trouble financially if we lost this company.

#### KIND OF HELP SOUGHT BY ITT THROUGH PRESSURE

Senator CHURCH. You said a moment ago that the purpose of the pressure was to get help?

Mr. MERRIAM. Yes, that is right.

Senator CHURCH. That is right, is it not?

Mr. MERRIAM. Yes, but I do not know what kind of help.

Senator CHURCH. You do not know what kind of help? You do not know what kind of help you were asking for?

Mr. MERRIAM. Only that eventually that if the President were elected, Allende, that the Ambassador in Chile would possibly make protestations about taking our company and not paying us for it. I do not know what else. I did not make those contacts so I cannot—

Senator CHURCH. The recommendations that you supplied to Broe are of an entirely different character, are they not?

Mr. MERRIAM. The what, the recommendations?

Senator CHURCH. The recommendations you submitted earlier to the CIA are of an entirely different character, are they not?

Mr. MERRIAM. Yes, they are.

Senator CASE. I cannot understand why the CIA would ask you to pressure the President.

Mr. MERRIAM. I do not follow—

Senator SYMINGTON. If the Senator will yield, let us get it straight, the Central Intelligence Agency reports only to the President.

Senator CASE. And to Mr. Merriam. [Laughter.]

Senator SYMINGTON. With all due respect to the power of the witness, I think you are overemphasizing it.

Senator CASE. You mean the CIA sought to report only to the President.

Senator SYMINGTON. Senator Percy was going to ask a question and then I would follow and ask a couple of questions against this memo.



## MISSION OF WASHINGTON ITT OFFICE CONCERNING CHILEAN ELECTION

Senator PERCY. I am confused now as to the mission of the Washington office of ITT. Could you give us a simple statement as to what you understand your mission to be, your responsibility and your authority? What were you trying to accomplish at the Washington office of ITT in connection with the Chilean election?

Mr. MERRIAM. Senator—

Mr. LEVINSON. By the Congress, Senator. We are in the period after the popular election of September 4 but before the congressional elections of October 24.

Senator PERCY. All right.

Mr. MERRIAM. The mission of the Washington office in connection with Chile was to bring to anyone's attention who would listen in the Government of the possibility of our losing our investment in Chile amounting to \$150 million. Once that attention is brought to the two offices that I have previously mentioned, I would not tell them or even suggest to them what they could do about it. My mission was simply to keep them informed.

Senator PERCY. But did you say what they could do?

Mr. MERRIAM. The two offices? The two offices?

Senator PERCY. Did you have in mind at the that time that you would initiate and undertake actions yourself, as the Washington representative and as the company, if the Government would not take actions that you felt were appropriate—that you would then have a second recourse? While obviously much preferring the Government to do it directly, did you have in mind that if they would not that you would undertake certain actions? Did you consider that to be a part of your charter?

Mr. MERRIAM. Never.

Senator PERCY. Never. So, you went ahead then and contacted Dr. Kissinger's staff, the Attorney General, and talked to them about what you foresaw as a turn of events and what its effect upon American investments would be. Is that correct?

Mr. MERRIAM. That is right.

Senator PERCY. And you had another representative of your office for this same objective, purpose, and mission then contact USIS and ask them to push an editorial favoring a particular candidate? Is that correct?

Mr. MERRIAM. That is correct.

Senator PERCY. And you had several meetings with the chief of the clandestine services for Latin America, for that same purpose—to convince them to have the Government of the United States take action?

Mr. MERRIAM. I do not know—you see, at that point I had no idea he was clandestine because we had luncheons in places of 300 and 400 people, so it was no secret. I mean, by that I do not mean to be flip—[laughter]—But I do not feel that—I did not feel at that time that Mr. Broe was in charge of clandestine affairs because I did not know it.

Senator PERCY. Did you have a feeling, though, that you were dealing with someone at a fairly high level of authority in the CIA?

Mr. MERRIAM. Yes, because I knew he was head of the Latin American Division, whatever you call it.

Senator PERCY. He was in charge of the Latin American Division and you at least knew that?

Mr. MERRIAM. I did.

Senator PERCY. But you certify that you had no knowledge as to the nature of his particular responsibilities?

Mr. MERRIAM. Never.

Senator PERCY. Am I correct in saying that at this point Allende had not been elected by the Chilean Congress?

Mr. MERRIAM. Yes, sir.

Senator PERCY. But you simply were basing your actions on a fear that he would be elected?

Mr. MERRIAM. Because he said before he even ran that when he was elected, if he was elected, he was going to take our company and the copper companies.

#### RECOMMENDATION OF COURSE OF ACTION

Senator CHURCH. Mr. Merriam, may I at this point interject. Going back over your answers to Senator Percy, you said at one point that in your contacts with the White House, Dr. Kissinger, you were asking for help but you would not presume to recommend a course of action. Isn't that what you said?

Mr. MERRIAM. That is basically what I said, although I personally did not contact those people, a member of my staff did.

Senator CHURCH. But you had no hesitancy in recommending a very definite course of action to the CIA as contained in the memo that was furnished to them, of which Broe approved, did you?

Mr. MERRIAM. Here we go back to the word "recommendation." All I did was hand him the memorandum. If you consider that a recommendation, we have to stand on that and let's—

Senator CHURCH. I would consider receiving a memorandum that contained a series of recommendations handed me from you as having serious purpose, namely, for me to give serious consideration to those recommendations.

Mr. MERRIAM. Suppose he disagreed with those recommendations and said—

#### "THIS SHOULD BE TIGHTLY HELD" ON H.B. MEMORANDUM

Senator SYMINGTON. Would the chairman yield?

On this memorandum, the H. B. memorandum to Mr. Gerrity, it says at one point, "At this stage the key to whether we have a solution or a disaster is Frei and how much pressure the United States and the anti-Communist movement in Chile can bring to bear upon him in the next couple of weeks."

At the top it says, "W. R. Merriam. This should be tightly held." Is that you?

Mr. MERRIAM. That is me.

Senator SYMINGTON. Did you write that on the memorandum?

Mr. MERRIAM. No, I did not.

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## FORWARDING OF H.B. MEMO TO NEWSPAPERMEN

Senator SYMINGTON. Then it has "Forward to" and names two newspapermen. Did you write that on the memorandum?

Mr. MERRIAM. No, sir.

Senator SYMINGTON. Are you sure?

Mr. MERRIAM. Yes.

Mr. LEVINSON. Who did write it, do you know that?

Mr. MERRIAM. Someone in the office wrote it. I am not sure who wrote it.

Senator CASE. Was it at your suggestion or direction?

Mr. MERRIAM. I approved of it.

Senator CASE. So it was your action; you were the head of the office.

Mr. MERRIAM. Yes.

Senator SYMINGTON. Why did you pick these two particular newspapermen?

Mr. MERRIAM. They were personal friends and it was given to them as background material.

Senator SYMINGTON. If it was given to them as background material, you wouldn't give it to the newspapermen as background material if you thought it was erroneous, would you?

Mr. MERRIAM. Not on purpose.

## FACTUAL CORRECTNESS OF H.B. MEMORANDUM

Senator SYMINGTON. Then you stand behind this memorandum as being factually correct?

Mr. MERRIAM. I have no way of knowing, Senator, whether they are factually correct.

Senator SYMINGTON. Haven't you run over, before these hearings, the papers you knew would come up at the hearing?

Mr. MERRIAM. I read them, but I did not study them.

## PREVIOUS WORK IN PROPAGANDA FIELD

Senator SYMINGTON. One final question about them.

It says, in the recommendations the chairman read, "We help at getting some propagandist"—this is a recommendation—"working again on radio and television."

What was the previous type and character of work that you had done in the field before?

Mr. MERRIAM. I have no idea.

Senator SYMINGTON. You do not know what that was about?

Mr. MERRIAM. No, sir.

## PASSING AROUND H.B. MEMO TO NEWSPAPER PEOPLE

Senator SYMINGTON. Even though you did not know the contents, you were willing to pass it around to people you thought were in favor of what you were doing, right?

Mr. MERRIAM. I do not say "Were in favor of what we were doing." I passed it around as information that I had received from Chile.

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Senator SYMINGTON. You would not pass information around to newspapermen you felt was not in favor of what you were doing, would you.

What would be the purpose of picking out a couple instead of having a press conference about it?

Mr. MERRIAM. Well, I cannot answer that.

I assume that it is up to them to determine whether the facts are correct or not in the memorandum or they are not going to print them.

Senator SYMINGTON. The newspaper people?

Mr. MERRIAM. Yes, and I gave it to them as possible background material.

Senator SYMINGTON. You gave it to them.

Mr. MERRIAM. Well, it was sent to them, I didn't give it to them personally.

Senator SYMINGTON. You knew your staff people were giving it to them?

Mr. MERRIAM. Yes, I knew, certainly.

Senator SYMINGTON. Thank you.

Senator CHURCH. Mr. Levinson, would you continue with the questioning, please?

#### MEMORANDUM OF OCTOBER 7, 1970

Mr. LEVINSON. Your next meeting with Mr. Broe took place on October 7, 1970, didn't it? There is a memorandum of that conversation.

Let me read from that memorandum for just a minute.

Mr. MERRIAM. Let me correct something, sir. This is not based on a luncheon or meeting with Mr. Broe. This memorandum came as a result of a telephone call between a member of my staff and Mr. Broe in my absence.

Mr. LEVINSON. This memorandum was based then upon Mr. Broe's conversation with Mr. Ryan of your office.

Mr. MERRIAM. Parts of it.

Mr. LEVINSON. And where did the other part come from?

Mr. MERRIAM. Mr. Neal or anyone else who had anything to throw in.

Mr. LEVINSON. So it was a composite report.

Mr. MERRIAM. It was what?

Mr. LEVINSON. A composite report, that is, made up of a variety of people.

Mr. MERRIAM. Yes.

Mr. LEVINSON. Let's turn to that October 7 memorandum which combines all of these various components, "Our man reports nothing new." Our man refers to Mr. Broe, isn't that correct?

Mr. MERRIAM. That is correct.

Mr. LEVINSON. Right.

Our man reports nothing new and "picture is not rosy." He says Prewett column exaggerated. Repeated calls to firms such as GM, Ford, and banks in California and New York have drawn no offers of help.

## CALLS TO GM, FORD, AND CALIFORNIA BANKS

Who was making these calls to GM, Ford, and banks in California?

Mr. MERRIAM. All I know is no one in the Washington office was making those calls.

Mr. LEVINSON. Do you know who was making these calls? You refer to calls being made to these firms. Who was making these calls?

Mr. MERRIAM. I assume someone from the agency was making them.

Mr. LEVINSON. You assume—do you know?

Mr. MERRIAM. No.

Mr. LEVINSON. Did Mr. Broe ever tell you that he had made such calls to GM, Ford, and banks in New York and California?

Mr. MERRIAM. No, he did not at this time.

Mr. LEVINSON. So you do not know who made these calls. You just assumed.

Mr. MERRIAM. Knew.

Mr. LEVINSON. You just assumed—

Mr. MERRIAM. This is his wording, not my wording, but he told me that repeated calls to these firms had drawn no offers of help.

Senator CASE. Who is "he?" Who told you?

Mr. MERRIAM. Mr. Broe. He did not say he did them.

Senator CASE. Mr. Broe did not talk to you.

Mr. MERRIAM. Yes, he did.

Senator CASE. I thought he talked to—

Mr. MERRIAM. Excuse me, I talked to Mr. Broe many times.

Mr. LEVINSON. By telephone?

Mr. MERRIAM. Yes.

Mr. LEVINSON. You would call him or he would call you?

Mr. MERRIAM. Both, either one.

Mr. LEVINSON. Would you leave a message? Was there a regular checking time for him to call?

Mr. MERRIAM. No, there was no checking time, just when we thought we had something to tell each other. And this evidently came from one of these calls, is the only way I can attribute it.

## WHO WAS "OUR MAN"?

Senator CHURCH. Referring now to this-memo from you to Mr. Gerrity, you start out by saying, "Our man reports nothing new and 'picture is not rosy.'"

Who was "our man"?

Mr. MERRIAM. Mr. Broe.

Senator CHURCH. Mr. Broe of the CIA was your man?

Mr. MERRIAM. That is a way of just not using his name, that is all.

Senator CHURCH. So he then in the next sentence refers to Mr. Broe, your man, right?

Mr. MERRIAM. Well, yes.

## PREWETT COLUMN

Senator CHURCH. All right. Mr. Broe then says, "Prewett column exaggerated."

Can you tell me what the Prewett column was?

Mr. MERRIAM. No; only that Virginia Prewett was a columnist at that time, she might still be, for all I know, who wrote in the Daily News and I do not remember the contents of the column or why it was exaggerated or why it was not.

#### MAKER OF CALLS TO GM, FORD, AND BANKS IN CALIFORNIA

Senator CHURCH. Then the next sentence is, "Repeated calls to firms such as GM, Ford, and banks in California and New York have drawn no offers of help. All have some sort of excuses."

Those calls you understood were made by Mr. Broe?

Mr. MERRIAM. No, sir; I didn't say that.

I said that he reported this to me. He did not say, "I called General Motors or Ford."

Senator CHURCH. But, as you understood, the calls had been made by the CIA.

Mr. MERRIAM. That is the way it looks although that is an assumption.

Senator CHURCH. Well—

Mr. MERRIAM. Well, you have to say that.

Senator CHURCH. Yes, you have to say that.

Senator CASE. I was wondering, though, if he means some other company had done it for him.

Mr. MERRIAM. I don't know.

#### USE OF HEADLINE ABOUT CAIRO JAILINGS IN CHILE

Mr. LEVINSON. This memorandum also refers to English papers having been delivered.

Mr. MERRIAM. Yes, sir.

Mr. LEVINSON. We have a memorandum from Mr. Wallace to Mr. Geneen, dated October 5, 1970.

As I understand this transaction Mr. Geneen in early October had seen a headline in Brussels of an English newspaper about hundreds of people being jailed in Cairo. His idea was that this headline could be used to illustrate what happens when a government falls to the communists and he felt that this should be used in Chile.

The way in which this was to be accomplished, which you discussed with Mr. Broe, is set forth in Mr. Wallace's October 5, 1970 memorandum. I would like to read you that memorandum now.

I received a copy, by airmail special delivery, of the London newspaper carrying a double headline across Page 1 talking of the hundreds jailed in Cairo.

This copy is now on its way to Chile. Hal Hendrix is carrying it and our plan is to (1) evoke out of the Argentine newspaper editorial comments there on the fate that is posed by the accession of Allende, and (2) to have the newspaper Page 1 reproduced in Chile for the purpose of distributing it broadside as a propaganda piece and as a special delivery to members of the Congress, prior to the vote on the presidency.

The use of this in this manner has been discussed with our Washington friends who feel it can lend effectiveness.

#### DISCUSSION OF PLAN TO USE HEADLINE

You discussed this plan as to how to use this headline with Mr. Broe; did you not?

Mr. MERRIAM. No, sir; I did not.

Mr. LEVINSON. Who did discuss it with Mr. Broe?

Mr. MERRIAM. I don't know.

It's news to me, that sentence, although I saw it. I got copies of the paper and delivered them to Mr. Broe—

Mr. LEVINSON. Did you discuss it?

Mr. MERRIAM [continuing]. Period.

Mr. LEVINSON. How it was to be used?

Mr. MERRIAM. No, sir.

Mr. LEVINSON. So Mr. Wallace's report to Mr. Geneen that, "The use of this in this manner has been discussed with our Washington friends who feel it can lend effectiveness" may have been a discussion by someone else in your office with Mr. Broe?

Mr. MERRIAM. Possibly.

Senator CASE. You had a copy of that memorandum?

Mr. MERRIAM. Yes, sir, I had a copy of it; yes, sir.

#### WAS HEADLINE USED IN MANNER DESCRIBED?

Senator CHURCH. Was the headline and article referred to in this memo actually used in Chile in the manner described?

Mr. MERRIAM. I have no idea.

Mr. LEVINSON. I think that is a question we will have to put to Hendrix who carried it to Buenos Aires for this purpose to be used as a broadside in the Chilean congressional election.

#### INITIATION OF ACTIVITY BY COMPANY SUGGESTED

Senator CASE. This suggests that that activity was an activity initiated by the company doesn't it, as opposed to Mr. Broe, who here at least is referred to as feeling that it could lend effectiveness. I take it it was the company's idea?

Mr. MERRIAM. That is what the memo says, yes.

Senator CASE. Yes.

#### MEANING OF MR. BROE'S MESSAGE TO KEEP PRESSURE ON

Mr. LEVINSON. Additionally you state in your memorandum that Broe's message was that everyone should keep the pressure on because Allende "should not take office with 'complete support' and also for the weakening we might accomplish after he does take office—also 'there is always a chance something might happen later.'"

Did you ask Mr. Broe what he meant by this idea of keeping the pressure on, keeping Allende down, that Allende should not take office with complete support. Did you ask him what did he mean by these phrases?

Mr. MERRIAM. I did not, Mr. Levinson.

Mr. LEVINSON. Did he explain to you what he meant by these phrases?

Mr. MERRIAM. No, because Mr. Ryan took that part of the message in quotations so he is the one who got it and I did not ask him, I don't think.

You will have to ask Mr. Ryan.

Senator CHURCH. You do not have any doubt in your mind what was meant, do you? It was all in the context of continuous exchanges between you and Mr. Broe.

Mr. MERRIAM. Well, yes, I can say I had doubt because I didn't know.

WITNESS' OCTOBER 9 MEMO TO MR. M'CONE

Mr. LEVINSON. Mr. Merriam, after you had submitted this memorandum of October 7, you had a further luncheon with Mr. Broe, I take it again at the Metropolitan Club on October 9. Is that correct?

Mr. MERRIAM. Yes, sir.

Mr. LEVINSON. Yes, you summarized this in your memo of October 9, 1970, to Mr. McCone.

Mr. MERRIAM. Correct.

Senator CHURCH. May I ask at this point whether this memorandum to Mr. McCone was to the gentleman who was at that time one of the directors of the ITT and formerly had been the Chief of the CIA.

Mr. MERRIAM. Yes, sir.

Mr. LEVINSON. You sent this, according to your memorandum, to Mr. McCone at Mr. Gerrity's suggestion. Is that correct?

Mr. MERRIAM. Yes, sir.

Mr. LEVINSON. Did Mr. Gerrity suggest that you send a copy to any other member of the board of directors?

Mr. MERRIAM. No, sir.

Mr. LEVINSON. Did you send a copy to any other member of the board of directors?

Mr. MERRIAM. No, sir.

Mr. LEVINSON. Did Mr. Gerrity explain why he particularly wanted it sent to Mr. McCone?

Mr. MERRIAM. No, sir.

Mr. LEVINSON. Turning to the memorandum itself, you state that, "He is still very, very pessimistic about defeating Allende when the congressional vote takes place on October 24." Did he indicate to you that an active effort was underway to defeat Mr. Allende in the congressional election of October 24?

Mr. MERRIAM. Only what is in this memo.

Mr. LEVINSON. He said to you, "Approaches continue to be made to select members of the Armed Forces in an attempt to have them lead some sort of uprising—no success to date."

Did he say who was making these approaches to the armed forces?

Mr. MERRIAM. No, sir.

Mr. LEVINSON. Did you ask him for further elaboration about any of these matters?

Mr. MERRIAM. No, sir, I did not.

Mr. LEVINSON. You just took these notes?

Mr. MERRIAM. I had to do—yes, took the notes.

EFFORTS TO ENLIST U.S. COMPANIES TO BRING ON ECONOMIC CHAOS

Mr. LEVINSON. Further on he says—

Practically no progress has been made in trying to get American business to cooperate in some way so as to bring on economic chaos. GM and Ford, for



example, say that they have too much inventory on hand in Chile to take any chances and that they keep hoping that everything will work out all right.

Did he specify who was making this effort to enlist the cooperation of American companies so as to bring on economic chaos in Chile?

Mr. MERRIAM. No, sir, he did not.

Mr. LEVINSON. Did you ask him who was making this effort?

Mr. MERRIAM. I did not.

Senator CHURCH. You understood what he meant, didn't you?

Mr. MERRIAM. I understood that some of his—I don't know. I understood that somebody was making the effort.

Senator CHURCH. Yes.

#### APPROACHES MADE TO MEMBERS OF CHILEAN ARMED FORCES

There are two things that strike me about the highlights of this conversation in this memorandum of conversation. One is that you discussed the approaches that continued to be made to select members of the armed forces. The armed forces referred to there are the Chilean Armed Forces, are they not?

Mr. MERRIAM. Yes, sir.

Senator CHURCH. "... approaches being made to the Chilean Armed Forces in an attempt to have them lead some sort of uprising."

Mr. MERRIAM. That is what he said.

Senator CHURCH. That is what he said.

#### PROGRAM TO CREATE ECONOMIC CHAOS IN CHILE

The other major topic of conversation, judging from the memo, relates to the effort to get other large American-owned companies to cooperate in a joint program designed to create economic chaos in Chile. Isn't that correct?

Mr. MERRIAM. Yes, sir.

Senator CHURCH. Those were the two major topics of conversation then if one may judge from the memo of conversation between you and Mr. Broe—

Mr. MERRIAM. Yes.

Senator CHURCH [continuing]. Chief of the clandestine activities for the CIA in Latin America.

#### MR. BROE'S INFORMATION CONCERNING NIXON ADMINISTRATION POLICY

Mr. LEVINSON. Mr. Merriam, you state in your October 9 memo—that you also discussed with Mr. Broe information which he gave you as to the Nixon administration's policy with respect to Mr. Allende if he was elected. You state, "... in this man's opinion the Nixon administration will take a very, very hard line when and if Allende is elected."

You go on to state, "He assures me that the President has taken at this time"—and then you put "better late than never, I guess." I guess that is an editorial comment on your part.

Mr. MERRIAM. Yes, it is, that is right, sir.

Mr. LEVINSON. "A long, hard look at the situation and is prepared to move after the fact."

Did Mr. Broe volunteer that information or did you ask him what will the Nixon administration do if Allende is elected?

Mr. MERRIAM. He volunteered the information.

Mr. LEVINSON. Can you reconstruct the conversation a little bit? How did he happen to volunteer the information?

Mr. MERRIAM. I believe that he as a member of the CIA has periodic meetings—

Mr. LEVINSON. With whom?

Mr. MERRIAM. At the White House.

Mr. LEVINSON. When you say "at the White House—"

Mr. MERRIAM. Not with the President, I don't mean the President, but with the staff of the White House.

Mr. LEVINSON. Did he specify which members of the White House staff?

Was this with Mr. Kissinger, with General Haig? With whom was it?

Mr. MERRIAM. I don't know.

Mr. LEVINSON. Did he specify to you—

Mr. MERRIAM. No, he did not.

Mr. LEVINSON [continuing]. With whom it was?

Mr. MERRIAM. And I am speculating that he had the meeting. I don't know.

Mr. LEVINSON. Did he say what the source of this information was?

Mr. MERRIAM. No, he did not.

Mr. LEVINSON. Did he indicate that he had seen any written memorandum or communications which set this out as a policy?

Mr. MERRIAM. No, he did not.

Mr. LEVINSON. So you cannot tell us anything more about the origin or the basis of his opinion?

Mr. MERRIAM. No, I cannot.

#### FURTHER CONVERSATIONS WITH MR. BROE ABOUT CHILEAN POLITICAL SITUATION

Mr. LEVINSON. Mr. Merriam, did you have any further conversations with Mr. Broe about the political situation in Chile?

Mr. MERRIAM. I think we had one more lunch, you mean another lunch or—

Mr. LEVINSON. Luncheons or telephone conversations.

Mr. MERRIAM. I am sure we discussed it on the telephone and then we met again on October 18 or 19, I cannot remember which date, for lunch again.

Mr. LEVINSON. Can you tell us about that conversation? What was discussed at that luncheon?

Mr. MERRIAM. Again it was pessimistic as to the outcome of the election in the Congress, and that—

Mr. LEVINSON. By pessimistic you mean the prospect that Mr. Allende would in fact be elected?

Mr. MERRIAM. Yes, that is right, yes, yes, and that is the facts that we were giving him, from various memos in here, H. B. memos. The same thing as before. They were very accurate in the facts as they have them.

Mr. LEVINSON. He congratulated you essentially. He told you, didn't he, that the Hendrix-Berrellez memoranda were as good reporting, as accurate as was coming in from any source.

Mr. MERRIAM. Yes, right.

Mr. LEVINSON. So he was interested in receiving these memoranda. He felt they were useful to him.

Mr. MERRIAM. Yes, he did.

Mr. LEVINSON. They contained useful information and he felt that this was of value to him and he communicated that to you, did he not?

Mr. MERRIAM. Well, he did not turn any down, put it that way. He accepted them all.

Mr. LEVINSON. Indeed he would send a messenger to pick them up, wouldn't he?

Mr. MERRIAM. That is right.

Mr. LEVINSON. Yes.

Senator CHURCH. Did I understand that he would send a messenger over to your office to pick up these memos?

Mr. MERRIAM. Yes.

#### OCTOBER 23, 1970, LETTER AND ATTACHMENT TO DR. KISSINGER

Mr. LEVINSON. In addition to these measures or to these conversations with Broe when it looked pretty certain that Mr. Allende was going to be elected, on October 23, 1970, you sent a letter and an accompanying plan or attachment to Dr. Kissinger. This sets forth a fairly comprehensive series of measures which you hoped the administration would take with respect to the new Allende administration.

I would like to read you Recommendation No. 3.

Without informing President Allende, all U.S. aid funds already committed to Chile should be placed in the "under review" status in order that entry of money into Chile is temporarily stopped with a view to a permanent cut-off if necessary. This includes "funds in the pipeline"—"letters of credit" or any such.

Where did that suggestion come from?

Was that your suggestion?

Mr. MERRIAM. Mr. Neal's suggestion.

Mr. LEVINSON. But you endorsed it, because you sent it to Mr. Kissinger, did you not?

Mr. MERRIAM. Mr. Neal had 35 years experience in the State Department and I trusted his judgment in such things.

Mr. LEVINSON. You sent copies of this memorandum and attachments to other officials of the company—Mr. Gerrity, Mr. Geneen, Mr. Dunleavy.

Mr. MERRIAM. I am not sure of that.

Mr. LEVINSON. Isn't that a regular and normal procedure on your part?

Mr. MERRIAM. Well, normally—well, not Mr. Dunleavy, necessarily, but Mr. Gerrity for sure.

Mr. LEVINSON. Right.

This was your proposed policy for the United States in the event that Mr. Allende came in and you can sum up this recommendation as really putting a total shut-down of public credit for Chile. Is that a fair statement?

Mr. MERRIAM. No; I don't think—did I say that in the memo anywhere?

Senator CHURCH. Let me quote from the memo. Under the caption, "U.S. action regarding Chile," and I read from the memo—

In view of the far-reaching threats Dr. Allende made prior to his election, there should be no hesitance on the part of the United States to confront the new President on what the resultant action of the U.S. Government will be in the event he carries out his threats. This will not be retaliatory on our part, but will be information to Allende as to the orderly procedure which follows if his threatened action is taken.

Then, "We believe the United States should consider the following:" Among the following, without reading all of your recommendations, is No. III.

Mr. MERRIAM. Yes.

Senator CHURCH.

Without informing President Allende, all U.S. aid funds already committed to Chile should be placed in the "under review" status in order that entry of money into Chile is temporarily stopped with a view to a permanent cut-off is necessary. This includes "funds in the pipeline"—"letters of credit" or any such.

That was a part of ITT's recommendation to the government.

Mr. MERRIAM. Our suggestions, whatever you want to call them, yes, that is right.

Mr. LEVINSON. You call them proposed actions for the U.S. Government.

Mr. MERRIAM. Suggested actions.

Senator CHURCH. They were seriously suggested; you were not engaged in frivolous conduct?

Mr. MERRIAM. No, we hope some of these things would be done.

Mr. LEVINSON. I would like to take you back for a moment—

Senator SYMINGTON. One point, Counsel.

#### ANSWER TO OCTOBER 23 LETTER

Did you get an answer to your letter?

Mr. MERRIAM. Yes, but it was a little more than perfunctory.

Senator CASE. How much more?

Mr. MERRIAM. Well, it is in the—

Senator CASE. I see.

Mr. MERRIAM. In the files here, you can read it, and I commented on the memorandum that I thought this was a little bit more than perfunctory.

Senator CASE. Excuse me. By that did you mean it was a great deal more perfunctory or hardly more, or scarcely more than perfunctory?

Mr. MERRIAM. Well, if you get as many letters as I do when you write to various people in the Government, including the Congress.

Senator CASE. We are experts in that, sure.

Mr. MERRIAM. That is what I meant.

Senator CASE. We can take notice of that.

Mr. MERRIAM. This was seven lines instead of three.

Senator CASE. What you meant was you thought it was in effect perfunctory?

Mr. MERRIAM. I thought it was what?

Senator CASE. You thought it was perfunctory not a little more than perfunctory, strike out the "a", it was little more than perfunctory.

Mr. MERRIAM. A little more. No, I thought it was a little more serious than I have been getting before from other people.

Senator CASE. That is what I am trying to find out.

Mr. MERRIAM. That is right, yes, he was going to pay a little more attention to it than normal.

Senator SYMINGTON. To be sure we get it, you say in your memorandum to Mr. Gerrity, which is attached to the letter from Dr. Kissinger, "Believe this is more than perfunctory."

Mr. MERRIAM. That is right, that is what I was trying to explain, Senator.

Senator SYMINGTON. "Things are brewing on the Chile matter and I will be back to you later on that subject." Is this—

Mr. MERRIAM. Correct.

Senator SYMINGTON. Your meaning was quite clear; you thought something was going to happen.

Mr. MERRIAM. That is right.

Mr. LEVINSON. Senator Symington, have you finished?

#### EXPECTED RESULT OF OCTOBER 23 LETTER

Senator MUSKIE. I am not sure that I got the emphasis of your reply to Senator Case's question. You did think something would happen as a result of that letter; is that what you meant to say?

Mr. MERRIAM. Well, I wouldn't put it quite that strong, I was hopeful it would happen as a result of the tone of the letter that I got back.

Senator MUSKIE. In other words, you were encouraged to believe—

Mr. MERRIAM. Encouraged to believe, that is a good way to put it, Senator.

#### WHAT WAS BREWING IN CHILE

Senator CHURCH. Then you go on to say that things were brewing in Chile and "We will be back to you later on that subject," What was brewing?

Mr. MERRIAM. I do not remember at this time.

Senator CHURCH. You don't remember.

Mr. MERRIAM. It was just a lot of talk about it.

Senator CHURCH. About what?

Mr. MERRIAM. Chile.

Senator CHURCH. And what was brewing there.

Mr. MERRIAM. Yes, Chile.

#### ADVICE ON POSSIBILITY OF NEGOTIATING WITH MR. ALLENDE

Mr. LEVINSON. I would now like to take you back to Mr. Berrellez' first post-election assessment of what you might expect from an Allende government, dated September 7, 1970.

You had, as we just read, proposed this cut-off of aid to Chile, stopping of financial flows to Chile. I would like to read you from Mr. Berrellez' assessment.

Paragraph 16: "There is also a view that we could use Chiltelco and Worldcom to negotiate with Allende on the two hotels and possibly Standard Electric." Those were two companies owned by ITT in Chile, weren't they?

Mr. MERRIAM. Yes, sir.

Mr. LEVINSON. "To negotiate with Allende on the two hotels and possibly Standard Electric."

These are also ITT properties in Chile, aren't they, the two hotels and Standard Electric?

Mr. MERRIAM. We did not own all of Chiltelco.

Mr. LEVINSON. But you had an interest.

Mr. MERRIAM. Yes; that is right.

Mr. LEVINSON. And a major interest, 70-percent interest in Chiltelco.

Mr. MERRIAM. That is right.

Mr. LEVINSON. OK.

"An informal sounding with sources in the Allende camp verified this. But we have been told to negotiate directly with him instead of middlemen. In this sense, Ben Holmes is considered the best man to negotiate on Chiltelco."

Ben Holmes was your Chilean manager of Chiltelco, wasn't he?

Mr. MERRIAM. Yes, sir.

Mr. Levinson:

Reliable sources caution us to proceed slowly, not to panic even if pressures are strong in the beginning. Those who offer this counsel say we can expect Allende to be more favorable to foreign companies (German, British, and Japanese) than to American firms and to try to use this as a lever if possible.

Further on when he sums up he says:

Strong outside political and economic pressures, resulting in unemployment and unrest internally, will certainly strengthen the hand of the leftwing extremists and convert Allende into merely a puppet of a machine dedicated to violent anti-U.S. revolution on a hemispheric scale.

My question is this: Weren't you proposing measures on October 23 precisely designed to convert Allende into the kind of instrument of anti-U.S. revolution on a hemispheric scale, which Mr. Berrellez is outlining? And weren't you advised in very specific terms by Mr. Berrellez that it would be possible in the opinion of the most reliable sources to negotiate with Mr. Allende?

Why was this advice ignored?

Mr. MERRIAM. I have no idea.

This is Mr. Berrellez' idea, and it was directed to New York, and I got a copy of it, but I was not asked to comment on it and that is all I can tell you about it.

Mr. LEVINSON. Mr. Berrellez, if I am right, the company had a very high opinion of Mr. Berrellez's reporting, didn't it?

There is a message from Mr. Gerrity to Mr. Berrellez in which he says:

Dunleavy and Gullfoyle have asked me to express our thanks and admiration for the excellent job you did last weekend and are continuing to do concerning our top assignment. Also deeply appreciated are the reports you and Hendrix made over the past few days. Best regards Gerrity.

So if the company was getting advice from Berrellez, it had a high opinion of the value of that advice as evidenced by Mr. Gerrity's communication, didn't it?

Mr. MERRIAM. It seems to be correct.

Mr. LEVINSON. Mr. Merriam, I am going to quote from your memorandum of October 22 to Mr. Gerrity.

In this memorandum you state, "I have just met with Dr. Dan, Tim Stanley, and Jack Neal on the above subject."

# EXPECTED REPERCUSSIONS IN CHILE IF ITT ACTIONS KNOWN

Dr. Dan refers to Dr. Dan Danelian of the International Economic Policy Association, doesn't it?

Mr. MERRIAM. That is correct.

Mr. LEVINSON. I interviewed Dr. Danelian and Mr. Stanley and they have no recollection of this conversation; so we are dependent upon your memory.

You state, and I quote,

All of us went over in great detail possible repercussions in Chile if and when it becomes known that we are pushing the State Department along certain lines.

So it is quite clear that you yourself recognized that your actions, if they became known in Chile, would have repercussions in that country, isn't it?

Mr. MERRIAM. That is what they said, yes.

Mr. LEVINSON. No, that is what you said in this memorandum.

Mr. MERRIAM. Well, they agreed with that.

Mr. LEVINSON. Yes, so you were quite aware in pushing the State Department along these lines that if it became known in Chile you could expect repercussions.

But you were convinced that the potential benefits from this pressure outweighed the repercussions, weren't you?

Mr. MERRIAM. That is right.

## MR. DILLENBECK'S CONCERN ABOUT ITT ACTIVITIES

Mr. LEVINSON. Mr. Merriam, I would like to refer to one further memorandum at this point. That is the memorandum of October 26, 1970, of Mr. Dillenberg of the ITT Legal Department, who was quite concerned about your activities.

- I would like to read an excerpt from that memorandum, if I may. He says:

Putting aside whether or not the policy is correct, our leverage to effect a change in this policy is minimal. Identifying ourselves as being opposed to well-defined State Department policy at a time when it is imperative that we have the full confidence of our opposite numbers in State and at AID's successor (OPIC) (Overseas Private Investment Corporation) seems to me possibly to jeopardize efforts which will be made to collect on the AID guarantee insurance.

Your own legal department was also concerned about your activities. Indeed they feared that these activities could jeopardize the AID guarantee, didn't they, and they communicated that fear to you because you received a copy of this memorandum.

Mr. MERRIAM. Not to me. They did not give me a copy of the memorandum that I can see.

This was a copy for Mr. Bateson, who is another lawyer, and to Mr. Aibel, our chief counsel.

Mr. LEVINSON. Right. Excuse me if I inferred that you received a copy when you did not.

Mr. MERRIAM. No.

Mr. LEVINSON. But it is quite clear that the legal department was concerned that your activities might indeed jeopardize the AID guarantee.

Mr. MERRIAM. Only Mr. Dillenberg's concern.

I don't know of any other concern on the part of the other lawyers.  
Mr. LEVINSON. Mr. Dillenbeck does work for the ITT Legal Department, does he not?

Mr. MERRIAM. Oh, yes, yes.

Mr. LEVINSON. Thank you.

Senator CHURCH. What position in the legal department?

Mr. MERRIAM. He is a lawyer.

I don't know whether—I don't know what his job is, exactly.

Senator CHURCH. Mr. Blum will continue the questioning.

#### WITNESS' ARRANGING FOR GENEEN-PETERSON MEETING

Mr. BLUM. Mr. Merriam, I am now going to refer to your letter to Mr. Peterson dated October 1, 1971.

Senator CHURCH. Just a minute, Mr. Blum. Yes, sir, I have it.

Mr. BLUM. Did you attend the luncheon?

Mr. MERRIAM. No, sir.

Mr. BLUM. Did you call Mr. Peterson to arrange it?

Mr. MERRIAM. Yes, sir.

Mr. BLUM. You had had several conversations with Mr. Peterson. I take it, before and you were acquainted with him?

Mr. MERRIAM. Oh, yes.

Mr. BLUM. Did you advise Mr. Peterson that Mr. Geneen wanted either Mr. Kissinger or General Haig present at the luncheon?

Mr. MERRIAM. No, sir.

He did not suggest it.

Senator CHURCH. So that everyone understands, this Mr. Peterson was at that time Assistant to the president for International Economic Affairs and later became Secretary of Commerce. Is that correct?

Mr. MERRIAM. Yes, sir—oh yes, Economic Affairs, he was part of the White House staff.

Senator CHURCH. At that time.

Mr. MERRIAM. And then he became Secretary of Commerce.

Senator CHURCH. Then he became Secretary of Commerce.

Mr. MERRIAM. Yes, sir.

Mr. BLUM. But in your arranging the meeting with Mr. Peterson, you made no reference to wanting a member of Dr. Kissinger's staff or Dr. Kissinger present?

Mr. MERRIAM. Mr. Geneen asked for an appointment with Mr. Peterson.

#### APRIL 16, 1971, GENEEN-PETERSON MEETING

Mr. BLUM. Had you arranged an earlier meeting between Mr. Geneen and Mr. Peterson, this meeting on April 16, 1971?

Mr. MERRIAM. I might well have. I don't have—do you have a reference to it?

Mr. BLUM. In the documents released yesterday by the House Commerce Committee there is a reference to an April 27 letter to John Connally from you advising Mr. Connally of a meeting between Mr. Peterson and Mr. Geneen on April 16.

Mr. MERRIAM. Yes.

Mr. BLUM. Were you present at that meeting?

Mr. MERRIAM. Yes, I was.



Mr. BLUM. What was discussed at this meeting?

Mr. MERRIAM. Basically antitrust problems.

Mr. BLUM. Was the question of the position of ITT in Latin America discussed?

Mr. MERRIAM. Not that I can recall.

Mr. BLUM. Was there any reference to the precarious international position of ITT being responsible for giving ITT a break on antitrust matters?

Mr. MERRIAM. No, not—it was not giving us a break. Peterson couldn't give us a break.

Mr. BLUM. Well, was there any intent to link the two?

Senator CHURCH. But the pending antitrust matter was then discussed at this meeting?

Mr. MERRIAM. According to this indication, I assume it was, yes.

I cannot remember all the details of what was discussed.

Senator CHURCH. Along with the situation in Chile.

Mr. MERRIAM. No, I don't see anything that refers to Chile in this synopsis here.

Senator CHURCH. Do you recall whether the situation in Chile was also discussed at the meeting?

Mr. MERRIAM. I do not think it was, but I am not positive.

I do not participate. I listen in those meetings.

Mr. BLUM. When Mr. Gencen testified before the Senate Judiciary Committee in the Kleindienst hearings he made reference to that meeting, and the reference to the meeting indicates that the conversation covered antitrust policy, balance-of-payments policy, international trade policy, productivity, and expropriation policy.

I assume that the expropriation question on the agenda was Chile, was it?

Mr. MERRIAM. It is safe to assume the same.

Mr. BLUM. So that was perhaps one of the subjects discussed.

Mr. MERRIAM. I do not remember exactly whether it was discussed or not, Mr. Blum.

When you discuss seven subjects like that or six, I can't tell you.

#### LETTER AND MEMORANDA RELATING TO APRIL 16 MEETING REQUESTED

Mr. BLUM. Mr. Chairman, so we may have a better idea of what happened at that meeting, I recommend that the committee order the company to produce the April 22 letter to Mr. Connally from Mr. Merriam, and that we ask for any memoranda relating to that meeting in the company's possession.

Mr. SCHAFER. It is not necessary to order it, Mr. Chairman.

Senator CHURCH. No. I request that these papers to which counsel has referred be furnished for this witness.

I have your assurance that will be done?

Mr. SCHAFER. Surely. [See Appendix I, page 550.]

#### MR. PETERSON AND MR. CONNALLY BEING INSTRUMENTAL IN THE DELAY

Mr. BLUM. Do you have any recollection of what the reference in that letter was to Mr. Peterson and Mr. Connally being "instrumental in the delay"?

**BEST COPY AVAILABLE**

Mr. MERRIAM. I remember that we discussed the fact that the—gee, I can't remember exactly what that means.

Mr. BLUM. Was it in referring to delay in action on Chiltelco or delay in the Hartford merger case?

Mr. MERRIAM. I don't think it was—I think if it was anything it was a delay in the Hartford merger case.

Mr. BLUM. You had already said there was nothing Mr. Peterson could do for you in that case.

Mr. MERRIAM. Well, that doesn't mean we didn't discuss it.

Mr. BLUM. The quote here is "instrumental in the delay."

Mr. MERRIAM. There is no—this infers that they were instrumental, it doesn't say they were.

Mr. BLUM. I see.

I didn't understand that difference in usage.

Mr. SCHAFER. Mr. Blum, I might say for your information I don't think it refers to the Hartford merger case at that time.

At that time there was concern about the *Grinnell Merger* case. I am not testifying for Mr. Merriam. I don't know what the conversation was about, but that is a possibility.

Mr. BLUM. I thank you.

As counsel or the company in that case, I believe you would be in the best position to know concerning the detail.

Mr. SCHAFER. I think I would, but I was not at that meeting that you are asking Mr. Merriam about.

#### HOW FIRST MEETING WITH MR. PETERSON WAS ARRANGED

Mr. BLUM. Do you know how that meeting was arranged, that first meeting with Mr. Peterson?

Mr. MERRIAM. I usually arranged all the meetings with Mr. Peterson.

Mr. BLUM. Why, then, was it necessary to write a thank you letter to Mr. Connally about it?

Mr. MERRIAM. It is a good point. I must be wrong. Mr. Connally must have arranged the meeting.

Mr. BLUM. Were you aware ITT had hired Mr. Connally as counsel prior to his becoming Secretary of Treasury?

Mr. MERRIAM. I was not.

#### OCTOBER 1, 1971, LETTER AND ATTACHMENT TO MR. PETERSON

Mr. BLUM. I would like to return to the second meeting with Mr. Peterson.

There was an attachment to a letter of October 1, 1971, following the meeting which proposes an 18-point program and which says,

\*\*\* everything should be done quietly but effectively to see that Allende does not get through the crucial next 6 months."

Mr. MERRIAM. Yes, sir.

Senator CASE. Is it clear that was attached to the letter?

Mr. MERRIAM. Yes, sir.

Senator CASE. That was also your summary of—

Mr. MERRIAM. No, sir, it was not my summary.

Senator CASE. Where did it come from?

Mr. MERRIAM. Mr. Neal of our office wrote the summary.

Senator CASE. But you forwarded it.

Mr. MERRIAM. I forwarded, as head of the office, I forwarded it.

Senator CASE. As your own.

Mr. MERRIAM. Yes.

Senator CASE. Thank you. I just wanted to get my own thinking straight.

Senator CHURCH. I want to be sure I understand. You attached this memorandum to the letter which was sent to Mr. Peterson following the meeting with Mr. Peterson?

Mr. MERRIAM. Yes, sir.

#### RECOMMENDATIONS IN OCTOBER 1, 1971, MEMORANDUM

Senator CHURCH. In the memorandum you again have an even more extensive list of recommendations under the caption, "Action."

Mr. MERRIAM. Yes, sir.

Senator CHURCH. Let me read them:

1. Continue loan restrictions in the international banks such as those the Export/Import Bank has already exhibited.

2. Quietly have large U.S. private banks do the same.

3. Confer with foreign banking sources with the same thing in mind.

4. Delay buying from Chile over the next 6 months. Use U.S. copper stockpile instead of buying from Chile.

5. Bring about a scarcity of U.S. dollars in Chile.

6. Discuss with CIA how it can assist the 6-month squeeze.

7. Get to reliable sources within the Chilean military. Delay fuel delivery to Navy and gasoline to Air Force. (This would have to be carefully handled, otherwise would be dangerous. However, a false delay could build up their planned discontent against Allende, thus, bring about necessity of his removal.)

8. Probably will be necessary to give dollar assistance to the crippled news media because this factor is quickly going down the drain and "El Mercurio," an outspoken opponent, could be wiped out on a moment's notice.

9. Help disrupt Allende's UNCTAD plans.

10. Expropriations and nationalization of U.S. private investment without full and immediate indemnification is directly detrimental to the U.S. balance of payments. It serves to disrupt the equilibrium and faith in the dollar.

The U.S. Government is doing everything possible to balance the budget, strengthen the dollar, and keep U.S. manufacturers competitive in the world market. At the same time, some foreign governments are discriminating against U.S. private investment while simultaneously demanding preferential treatment in our markets, and also requesting soft loans from U.S.-supported banks.

11. The IADB Charter stipulates loans should be made to "supplement private investment." The opposite is taking place: IADB loans are displacing private investments.

12. U.S. manufacturers should stop or delay shipments of small arms and ammunition to Chile. Last week the following shipment from Remington was flown out of Miami on ALFE: 75,000, 38; 44,000, 22; 50,000, 32.

This went to the Ministry of Interior, Departamento Abastamiento del Estado for the Secret Police.

13. Chile's recent travel restrictions are detrimental to U.S. trade. Chileans are well known as one of the greatest travelers in Latin America. There should be some retaliation which could be imposed.

14. Chilean action against UPI should be blasted by the Inter-American Press Association and U.S. press in general. (The Washington Post even criticized United States tough policy on Chile. They should be made to eat their editorial now that UPI has been closed.)

Then reading on:

"El Mercurio" of Santiago remains alive and continues criticism of Allende. Some aid should be considered for this paper.

15. In a meeting with Assistant Secretary of State Charles A. Meyer and his staff only a few days ago—September 28—we were informed that up to \$1 million (U.S. dollars) are going into Chile each month from funds in the "Aid pipeline!" We believe this U.S. taxpayer money to the Marxist government should be terminated.

16. Also, we were told the funds in several "Inter-American Development Bank pipelines," not previously utilized were reallocated into a so-called earthquake emergency fund and made available to Chile. Considering the United States heavy contribution to the IADB, and the lack of a real emergency, such action should not have been permitted; and, if possible, should now be rescinded.

17. It is noted that Chile's annual exports to the United States are valued at \$154 million (U.S. dollars). As many U.S. markets as possible should be closed to Chile. Likewise, any U.S. exports of special importance to Allende should be delayed or stopped.

18. The United States should consult with other governments whose nations are suffering from the Chilean Marxists. This would include countries to which Chile owes money. Allende's treasury reserve is depleting rapidly and he has already suggested a moratorium on servicing his foreign debt.

#### OCTOBER 1, 1971, ITT SUGGESTIONS

Mr. Merriam, these 18 suggestions were meant to be recommendations that ITT wished the Government to adopt as a matter of policy toward Chile. Is that not correct?

Mr. MERRIAM. I would say "yes."

Senator CASE. Would it be fair to say that this was the voice of one part of ITT?

Mr. MERRIAM. I'm sorry, sir.

Senator CASE. Would it be fair to say that this was the voice of one part of ITT?

Mr. MERRIAM. One person.

Senator CASE. And he had some associate, I take it. Mr. Neal, is it?

Mr. MERRIAM. Yes; Mr. Neal.

Senator CASE. And you passed it along, so I take it you more or less approved it?

Mr. MERRIAM. Generally approved it; yes.

Senator CASE. Didn't a lawyer in the company's legal department complain about this?

Mr. MERRIAM. I do not think so.

Mr. LEVINSON. If I may, Senator, this is in October of 1971.

The lawyer complained of Mr. Merriam's actions in October 1970.

Senator CASE. He had complained about a somewhat comparable action.

Mr. LEVINSON. Yes.

Senator CASE. Apparently that complaint was not effective. Would that be a fair—

Mr. MERRIAM. We had been expropriated, intervened, as the word is used in Chile.

Senator CASE. Yes. That had already taken place before the first memorandum; had it not?

Mr. MERRIAM. It took place a couple of days before this letter was written—a moment.

#### EFFECT OF RECOMMENDATIONS IF IMPLEMENTED ON COMPENSATION NEGOTIATIONS

Senator CHURCH. Mr. Merriam, may I ask you what effect did you think these recommendations, if they had been fully implemented,

would have on the course of negotiations between ITT and Chile on the matter of compensation? Did you think this kind of action would be helpful in your negotiating position with the Allende regime?

Mr. MERRIAM. Well, I don't know. I cannot comment on that.

#### OBJECTIVE OF ITT RECOMMENDATIONS

Mr. LEVINSON. It is quite clear what the objective is, isn't it, Mr. Merriam? The memo states, "entire administration," and "everything should be done quietly but effectively to see Allende does not get through the crucial next 6 months." The object was to bring Allende down. Wasn't this the objective?

Mr. MERRIAM. You will have to ask Mr. Neal about that, Mr. Levinson.

Mr. LEVINSON. The words are self-explanatory.

Mr. MERRIAM. It reads that way, but you have to ask why he wrote it that way, what he had in mind because I did not analyze what he wrote, only in a general—

Senator CHURCH. The words speak for themselves, don't they, Mr. Merriam? The words that have been read to you are—

I believe it should be suggested that the Chile situation warrants high priority by the entire Administration and that everything should be done quietly but effectively to see that Allende does not get through the crucial next six months.

What else could these words mean?

Mr. MERRIAM. Well, of course, he had already been President, you know he was elected by this time.

Senator CHURCH. Right. Now you are worried about whether he would get through the next 6 months.

Mr. MERRIAM. Because the economic situation was getting critical.

Senator CHURCH. It would have gotten a lot more critical if all these recommendations had been carried through.

Mr. MERRIAM. That is evident.

Senator CHURCH. And that was the purpose of the recommendations.

Mr. MERRIAM. Yes.

Senator CHURCH. Sure.

#### AD HOC COMMITTEE ON CHILE

Mr. BLUM. I would like to go back, if I may, Mr. Merriam, to an earlier period. This relates to a period just after Mr. Allende was inaugurated as President of Chile on November 4, 1970.

After that you organized something which was referred to as the Ad Hoc Committee on Chile, didn't you?

Mr. MERRIAM. At the suggestion of one of my fellow representatives.

Mr. BLUM. Well, which representative suggested it?

Mr. MERRIAM. Anaconda Copper's representative.

Mr. BLUM. And why did you feel you should take the lead?

Mr. MERRIAM. I don't know why he selected me to take the lead other than the fact we had been very active in the Chilean situation.

Mr. BLUM. And they had not been very active.

Mr. MERRIAM. Not as active.

Mr. BLUM. Was it Mr. Mecham of the Anaconda Co., who called you?

Mr. MERRIAM. Yes.

Mr. BLUM. And he asked you if you would organize this group?

Mr. MERRIAM. Right.

Mr. BLUM. The group was to consist of Washington representatives of a number of companies which had major investments in Chile, wasn't it?

Mr. MERRIAM. Yes, sir.

Mr. BLUM. The first meeting of the group took place when, do you recall?

Mr. MERRIAM. January, as I remember it.

Mr. BLUM. January of 1971.

Mr. MERRIAM. Right.

Mr. BLUM. You did not, when Mr. Mecham asked you about setting it up, decline the honor or raise any question about whether or not that was an appropriate thing to do, did you?

Mr. MERRIAM. No; I didn't.

#### PURPOSE OF AD HOC COMMITTEE ON CHILE MEETING

Mr. BLUM. I am going to quote from a memorandum prepared by Mr. Raddatz of the Bank of America who attended this meeting.  
[Full text of the memorandum follows:]

BANK OF AMERICA,  
February 9, 1971.

Memorandum to Robert L. James

This morning I attended a meeting called by and held in the office of Bill Merriam, manager of the Washington Office of International Telephone and Telegraph. The purpose of the meeting was to discuss the deteriorating situation in Chile. Others attending were representatives of Anaconda, Kennecott, W. R. Grace Co., Pfizer Chemical and Ralston Purina. All were very concerned about the possibility of nationalization of their Chilean investments in the very near future. The thrust of the meeting was toward the application of pressure on the government wherever possible to make it clear that a Chilean takeover would not be tolerated without serious repercussions following.

ITT believes that the place to apply pressure is through the office of Henry Kissinger. They feel that this office and the CIA are handling the Chile problem. They feel that Assistant Secretary of State for Latin American Affairs, Charles Meyer, is not deeply involved in this problem and therefore contact should not be made through him. The State Department's role is relatively minor.

ITT had a meeting on Friday, February 5, with Arnold Nachmanoff of Kissinger's staff. They urge contact be made with this man and protests be made to him and not the State Department. Anaconda has also met with him and reports the same. [Nachmanoff told ITT that Chile has been warned by our government about the situation on a very high level. He said the position of the U.S. is one of a "quiet but strong policy not attacking Allende unless he attacks us and then we will retaliate in kind." He indicated that the U.S. will apply quiet pressure along economic lines and encouraging other countries not to invest in Chile.

It was also suggested that strong attempts should be made to stimulate speeches such as that made on February 1. in New York by Senator Javits by other members of the Senate and House and influential public figures. And pressure should be brought upon the international lending agencies to cease activity in countries that threaten or actually expropriate private investments whether it is done overtly or by "creeping expropriation."

ITT stated that they would not accept Chilean bonds in payment for the nationalization of their interests. They have approximately \$150 million invested of which \$90 million is covered by AID insurance. They have checked with investment bankers and found there is no market for 30 year bonds payable in escudos

with an interest rate of 3% in a country where the rate of inflation is 30% per annum. They feel this kind of compensation would be worthless.

The topic of conservation turned briefly to the Ecuadorian seizing of fishing vessels and the OAS meeting concerning the U.S. action of cutting off military assistance. An unpublished force in preventing adoption of a resolution condemning the U.S. position was the behind the scene maneuvering of the Longshoremen's union. They let it be known that if a strong resolution was drafted and adopted they would refuse to unload any bananas coming into U.S. ports from Ecuador. This reportedly cause the Ecuadorian minister to soften his stance somewhat. The Longshoremen are strong friends of the Seafarers union and the fishermen whose vessels are being seized.

This group will meet again in two or three weeks to discuss further developments.

RONALD R. RADDATZ.

#### INTENDED APPLICATION OF PRESSURE ON U.S. GOVERNMENT

I take it that the pressure you intended to apply was on the U.S. Government.

Mr. MERRIAM. Yes, sir.

Mr. BLUM. And the memo says, "ITT believes that the place to apply pressure is through the office of Henry Kissinger." Was that your analysis?

Mr. MERRIAM. Well, that is what we had been doing for the last year or so.

Mr. BLUM. "They feel that this office and the CIA are handling the Chile problem."

Was it your sense that the CIA was the other place to go to talk about the difficulty?

Mr. MERRIAM. No, it was not; the State Department.

Mr. BLUM. That then is inaccurate. You did not propose that people talk to the CIA?

Mr. MERRIAM. No, it does not say that in here.

Mr. BLUM. Let me put the question differently: At the meeting did you propose that the CIA was a pressure point?

Mr. MERRIAM. No.

Mr. BLUM. Did you suggest that anyone talked to representatives of the CIA?

Mr. MERRIAM. I did not.

Mr. BLUM. It goes on to say that the State Department is not very deeply involved. The State Department role is relatively minor.

Was that also your analysis?

Mr. MERRIAM. It does not say the State Department, Mr. Blum. It says the Assistant Secretary of State, Mr. Meyer, is not involved.

Mr. BLUM. Would you read the next sentence, please, Mr. Merriam?

Mr. MERRIAM. "And therefore contacts should not be made through him. The State Department's role is relatively minor."

Mr. BLUM. OK.

Was that your analysis?

Mr. MERRIAM. I disagree with that analysis. It was not my analysis and I do not know whose analysis it was, but I do not think that State's part was minor.

Senator CHURCH. You think the State Department played a major part.

Mr. MERRIAM. No, I think they were second to Mr. Kissinger, but I think they had something to say about things.

Senator CHURCH. That kind of sums up the situation in Washington today. [Laughter.]

CONCERN THAT U.S. GOVERNMENT EXERT LEVERAGE ON LENDING INSTITUTIONS

Mr. BLUM. You were also concerned that the U.S. Government exert its leverage on lending institutions such as the World Bank and the Inter-American Development Bank, weren't you?

Mr. MERRIAM. That is right.

Mr. BLUM. Toward what purpose again, would you mind explaining that?

Mr. MERRIAM. Well, it's been in several of these memos; it's with the hope that they would not lend Chile any money or any more money.

Mr. BLUM. What result would that produce?

Mr. MERRIAM. That would produce economic problems for Chile.

Mr. BLUM. And how would that assist your getting adequate compensation and how would it assist Chile's ability to pay you adequate compensation.

Mr. MERRIAM. I have to make an assumption that I am not sure of, but I would think that Mr. Allende was faced with economic collapse, as other people have said, that he might be more congenial toward paying for expropriations.

HOW ECONOMIC COLLAPSE COULD BENEFIT ITT

Mr. BLUM. Isn't it true that the only way economic collapse could have resulted in better terms for ITT would be if it meant Mr. Allende left office.

Mr. MERRIAM. No, sir, I cannot say that.

I think he should try to do what we wanted him to do, pay us off, that is all we were asking.

Mr. BLUM. But if there were economic collapse how could he pay you?

Mr. MERRIAM. Well, economic collapse is perhaps used in too broad a sense. I am sure that they had money in the bank that they could pay us in the banks and in the credits up here in this country.

Senator MUSKIE. Mr. Merriam, how would he connect the effectiveness of that policy with you and your company? You say that your design was that if these measures were taken creating economic troubles for Chile, Mr. Allende might be more disposed then to be generous toward you and your company. Is that what you intended to say?

Mr. MERRIAM. No.

Senator MUSKIE. If that is not what you intended to say, how do you connect economic difficulties with the prospects of improving your situation?

Mr. MERRIAM. It was more the threat of economic collapse, that if he knew that these banks were going to stop lending him money and he knew that other factors were going to be taken into consideration, he might take that as a threat and—

Senator MUSKIE. A threat from whom?

Mr. MERRIAM [continuing]. Payoff—from the U.S. Government.

Senator MUSKIE. Connected to you.



Mr. MERRIAM. Not necessarily, but for all the people who were getting expropriated, all of our companies.

Senator MUSKIE. Are you suggesting that you were trying to create economic pressures on Mr. Allende that would improve his attitude toward ITT and its problems?

Mr. MERRIAM. The threat of economic collapse, yes.

#### WAS THREAT OF ECONOMIC COLLAPSE BLACKMAIL?

Senator MUSKIE. Would you view this as blackmail imposed upon Mr. Allende?

Mr. MERRIAM. No, not as blackmail, Senator.

Senator MUSKIE. How would you describe it?

Mr. MERRIAM. Well, I don't know—

Senator MUSKIE. You weren't trying to get his good will by being nice to him?

Mr. MERRIAM. No.

Senator MUSKIE. You were trying to get his good will by exerting economic pressure on him.

What do you call that?

Mr. MERRIAM. Well, you know when he had stolen our property without compensation and we were hoping that the U.S. Government would step in and threaten Mr. Allende with these various economic matters, and he knew that if he didn't pay off us and Anaconda, he would have economic collapse.

#### MAKING QUID PRO QUO CLEAR TO MR. ALLENDE

Senator MUSKIE. Who was to make the quid pro quo clear to him?

Mr. MERRIAM. The Ambassador.

Senator MUSKIE. Was that understood in your discussions with the State Department?

Mr. MERRIAM. That is the only approach you could make to a foreign country.

Senator MUSKIE. I know, but was it made explicit in your discussions with our Government?

Mr. MERRIAM. It was made explicit in our visits to the State Department 23 times.

Senator MUSKIE. So this is what was agreed upon?

Mr. MERRIAM. Well, it was never agreed upon, it was what we suggested to the Ambassador, to the State Department, that they do.

Now they did not do it, evidently.

#### CHILEAN INTERVENTION AND FIRST AD HOC COMMITTEE MEETING DATES

Mr. BLUM. Mr. Merriam, if I may, you used the phrase, "They have stolen our properties." What was the date of intervention by the Chilean Government of Chiltelco?

Mr. MERRIAM. The 20th of September 1971.

Mr. BLUM. What was the date of the first meeting of the ad hoc committee on Chile?

Mr. MERRIAM. In January.

Mr. BLUM. January 1971—

Mr. MERRIAM. January 1970-1971.

Mr. BLUM [continuing]. Wasn't it, so indeed at that point they had not stolen your properties?

Mr. MERRIAM. No; but they were going to.  
He said that. He said they were going to.

#### ALLENDE'S INDICATION OF POLICY RECONSIDERATION

Mr. LEVINSON. Indeed, Mr. Merriam, isn't it true that Mr. Allende himself on October 21, 1970, had called in your Chilean Manager, Mr. Holmes, to indicate that he was not quite decided what he was going to do? If you look at Mr. Hendrix's memo to Mr. Gerrity of October 22, 1970, you will find that conversation summarized. Holmes told Berrellez that Allende told him, "not to worry, be calm."

He says that the meeting was cordial. Mr. Berrellez spoke with Holmes after the meeting. Holmes said the meeting was very cordial and that they wound up speaking on a first-name basis.

And Mr. Allende asked for a briefing on the situation of Chilteleco. So you really had an indication from Allende himself that they were reconsidering what their policy ought to be?

You also added, to which I have previously referred, Mr. Berrellez assessments that it would be possible to negotiate with Allende, that you would have to deal with him directly. He said, if you will recall the excerpt that I read from the September 7 cable, "Be calm, don't panic, even when the pressures get strongest." So you at least had some indication in early 1971 that Allende had not yet fixed definitely on his course.

#### FIRST MEETING WITH MR. ALLENDE, MARCH 1971

Let me refer you again to the first meeting that took place with Mr. Allende in March of 1971, which is described in a March 12, 1971 memo from Mr. Hendrix to Mr. Perkins.

If I might, I would like to read you some excerpts from that memorandum. Mr. Hendrix is summing up his first meeting with Allende.

Present were Mr. Guilfoyle on behalf of the company and Mr. Dunleavy, and Mr. Hendrix states:

The atmosphere and tone of the meeting were described as very cordial, relaxed, pleasant and amiable. Contrary to rumors, Allende appeared to be in excellent health. He was alert, attentive, displayed a ready sense of humor and asked numerous questions. He was at the same time clearly in charge of the meeting.

I am now going to quote again:

Allende stated more than once he was not considering taking over Chilteleco at this time. He said he did not want to expropriate or nationalize fully, emphasizing he would prefer a partnership arrangement of some sort. He did not spell out any details.

Again, according to this memorandum, he stated that he would name a commission to review and study the problems and plans of Chilteleco, and that he would expect the commission to make ITT an offer or proposal in 30 to 40 days and that he would expect you to return with a counteroffer if you, ITT, found the commission offer unacceptable.

## CONSISTENCY OF AD HOC COMMITTEE AND NEGOTIATION QUESTIONED

To sum up then, Mr. Merriam, there was at least some indication, at least through early March 1971, that you had a reasonable prospect, and by "you" I mean ITT, of negotiating with Allende rather than finding him acting in an arbitrary manner.

This is precisely at the same time that you are organizing this ad hoc committee to put economic pressure on Allende through the U.S. Government by maintaining pressure on Kissinger's office, on the State Department, and all the other pressure points that you identify as being within the ambit of the activities of your office.

What I would like to ask is how is this consistent with negotiating in good faith with the Allende government over the Chiltelco properties?

Mr. MERRIAM. Well, the date of Mr. Hendrix' memorandum and the date of—excuse me, the date of negotiations was in March of 1971. At the time of January when we had this first meeting was 2 months previous to that.

Mr. LEVINSON. You had a further meeting. A second meeting of the ad hoc committee was called on March 5, wasn't it?

Mr. MERRIAM. That is right.

Mr. LEVINSON. You have minutes dated February 9, 1971, as well?

Mr. MERRIAM. That is right.

Mr. LEVINSON. You also had had, as I indicated to you, Mr. Allende's meeting with Mr. Holmes in October of 1970. What is more, you also had intelligence, hadn't you, that Mr. Allende himself had been advised by Fidel Castro not to allow himself to become overly dependent upon the Soviet Union. You will find reference to that in the memorandum sent to Mr. Geneen on October 28, 1970. So you had that intelligence, that the Allende government had been advised by very close friends that they should not allow themselves to become overly dependent upon the Soviet Union and therefore there was at least some indication that Allende was receiving advice to go slow to reinforce his own direct approaches to you.

Mr. MERRIAM. Let's go back, Mr. Levinson, to the fact the meeting was called or suggested to be called by Anaconda, who was in far deeper trouble at that point than we were.

Senator CHURCH. How does that bear upon the question?

Mr. MERRIAM. Well, I am just trying to say why we had the meeting and why we discussed these points, because the copper companies were in much more trouble than we were as to imminence of takeover, as I remember the situation.

Mr. LEVINSON. You did not decline the honor of chairing the meeting, providing your offices?

Mr. MERRIAM. Of course, I never decline the honor when five or six companies want to get together and use my room as a meeting place.

Senator CHURCH. I think we should go back to the question that Mr. Levinson put to you a minute ago. It is obvious that at the very time you were receiving advice that at least indicated some possibility of a

reasonable negotiation or some prospect that Mr. Allende would use restraint in dealing with your properties, you were conferring with other companies on a course of action which had only one objective, to create conditions of economic chaos in Chile, the most damaging conditions that you would in concert create. And the question now is how can you reconcile these two courses in face of the information that was available to you, the possibility of reasonable negotiations? How can you reconcile that with the course of action you chose to take through the ad hoc committee?

Mr. MERRIAM. Well, in the memo that Mr. Raddatz wrote, from the Bank of America, there is no discussion whatsoever of creating economic chaos, and I used that expression because it had been used months ago in trying to—I don't know what it was trying to do, trying to upset parts of the Chilean situation, and this was still a meeting to find out where or what we could do when and if these things happened. It does not mean that we cannot be ready, just because they had a meeting, after this February 9, that things were going smoothly.

#### POSSIBILITY OF MR. ALLENDE'S KNOWING OF AD HOC COMMITTEE

Senator CHURCH. Don't you think Mr. Allende quite possibly might have been informed through his own sources of this ad hoc committee?

Mr. MERRIAM. I wouldn't know that.

Senator CHURCH. You wouldn't know.

Mr. MERRIAM. No.

Senator CHURCH. No; but it is not beyond reasonable speculation that he has his sources and knows what is going on.

#### HOW MR. ALLENDE WOULD REGARD AD HOC COMMITTEE'S ACTIVITIES

Do you think that had he been so informed he would have regarded the activities of the ad hoc committee as being provocative.

Mr. MERRIAM. No; I do not.

Senator CHURCH. You do not think so?

Mr. MERRIAM. No, I do not, not at all.

Senator CHURCH. Do you think he would have welcomed the plan of action that you discussed in the ad hoc committee?

Mr. MERRIAM. Well, there was never any formal plan, just things that we could do here and there, so there was no formal plan.

Senator CHURCH. Do you think those things that you could do here and there would have been welcomed by Mr. Allende?

Give me a reasonable answer to that.

Mr. MERRIAM. I do not think that Mr. Allende would be too pleased if we made many visits to Mr. Kissinger's office, but we have been doing that for a year or so, and it was nothing new except the fact that Mr. Nachmanoff was there now instead of Mr. Vaky. Is that a reasonable answer, is that what you—

Senator CHURCH. I think from what you have already testified to that had Mr. Allende known about the discussions in the ad hoc committee he would have thought them unwelcome. Isn't that true, from his point of view?

Mr. MERRIAM. I do not think he would have greeted them with love and kisses.

Senator CHURCH. Love and kisses. I don't think so. He might even have regarded them as provocative. Isn't that true, from his point of view?

Mr. MERRIAM. I would not go that far.

Senator CHURCH. You wouldn't go that far?

Mr. MERRIAM. No, no, because this was a very informal group. Senator Church. It was kicking around some ideas and there was nothing that came out of them as you all know in the end.

Mr. LEVINSON. Mr. Merriam, in distributing the minutes of the first meeting, you say this is from you—

Senator MUSKIE. Could I interrupt? If Mr. Allende, from your view, is such a gentle character as you have just described him to be, what was all this concern through the fall of 1970 to March of 1971?

Mr. MERRIAM. Excuse me, did I infer he was a gentle character?

Senator MUSKIE. Well, his response—

Mr. MERRIAM. Before he was elected he threatened to expropriate us and a lot of other people.

#### MR. ALLENDE'S REACTION TO AD HOC COMMITTEE PLAN

Senator MUSKIE. But you suggest his response to the plan discussed by the ad hoc committee would have been very mild, very gentle.

Mr. MERRIAM. No; I didn't say that. I just said I didn't think he would have been pleased. Isn't that what I said? I said he wouldn't have received it with love and kisses.

Senator MUSKIE. That is a gentle reply.

Senator CHURCH. As I understand you, you said he would not have been pleased, but he would not have been provoked.

Mr. MERRIAM. That is correct.

Senator CHURCH. His reaction would have been utterly neutral.

Mr. MERRIAM. I didn't say that.

Senator CHURCH. Considering what went on in the ad hoc committee, had Mr. Allende known about it, he would have been quite concerned, would he not?

Mr. MERRIAM. Well, Senator Church, nothing went on in the committee except a discussion.

Senator CHURCH. Had he known about the discussion, he would have had cause for concern, would he not?

Mr. MERRIAM. Not for the seven or eight people who were there, no.

Senator CHURCH. Who were there?

Mr. MERRIAM. Well, five or six, seven companies, Anaconda, Kennecott, Grace, Pfizer, Ralston Purina.

Senator CHURCH. If I knew those companies were conferring concerning an election of mine, I would be concerned. [Laughter.]

Mr. MERRIAM. You know, Senator, we have these ad hoc committees all the time in Washington.

Senator MUSKIE. You do?

Mr. MERRIAM. To do that type, nothing to do with Chile, just a form of life.

#### OBJECT OF AD HOC MEETING

Mr. LEVINSON. Mr. Merriam, something more than mere discussion was expected out of this, wasn't it? The purpose of getting all these

companies together was the belief that acting in concert they would be more effective than acting singly? Indeed, that is why Mr. Mechem was concerned about his taking the lead. He was afraid of antitrust implications if he acted in concert with Kennecott. Isn't that what he told you?

Mr. MERRIAM. I think that is an assumption.

Mr. LEVINSON. What is not an assumption was what you said in your covering memorandum when you sent out the minutes of the first ad hoc meeting to all the people who attended, "We, of course, would be most anxious to hear from you about any action you have taken in the three so-called pressure points." So the object was that people who attended would go out and follow up and take action.

Mr. MERRIAM. That is correct.

Mr. LEVINSON. That is all, Mr. Chairman.

Senator CHURCH. Any more questions?

Thank you, Mr. Merriam.

The hearing will begin with our next witness at 2:30 this afternoon.

#### AUTHORIZATION FOR WITNESS' ACTIONS

Senator PERCY. Mr. Chairman, could I ask one last question? From how high in the U.S. Government did you feel you had any real authorization to move ahead, and at what level was it considered in the interests of the U.S. Government to undertake any of these activities? Did you make any representation to these other companies that you were acting on behalf of any governmental authority in getting them together?

Mr. MERRIAM. No, there was no implication of that kind whatsoever, and the highest people we went to were Mr. Vaky, who was Mr. Latin America for Mr. Kissinger, and Mr. Meyer and his staff that handled Chile.

Senator PERCY. But did you really feel you were acting on behalf of the U.S. Government at that point?

Mr. MERRIAM. No, how could we?

Senator PERCY. You did not. You were acting on your own as an individual representing a company, not a country?

Mr. MERRIAM. That is right, exactly, how could I represent a country?

Senator PERCY. Thank you.

Senator CHURCH. Thank you, Mr. Merriam.

[Whereupon, at 12:25 p.m., the subcommittee recessed to reconvene at 2:30 p.m., the same day.]

#### AFTERNOON SESSION

Senator CHURCH. The hearing will please come to order.  
Our next witness is Mr. John Ryan.

#### SWEARING IN OF WITNESS

Will you please raise your right hand and take the oath.

Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. RYAN. I do.

Senator CHURCH. Mr. Blum, will you commence the questions, please.

NAME AND ADDRESS OF WITNESS

Mr. BLUM. Mr. Ryan, would you please for the record state your full name and address?

**TESTIMONY OF JOHN F. RYAN, DIRECTOR, ITT INFORMATION SERVICES, WASHINGTON; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. RYAN**

Mr. RYAN. My name is John F. Ryan. I live at 8447 Portland Place, McLean, Va.

WITNESS' PRESENT EMPLOYMENT

Mr. BLUM. Are you presently employed by ITT?

Mr. RYAN. Yes, I am.

Mr. BLUM. What is your position?

Mr. RYAN. Director of ITT Information Services for the ITT Washington office.

Mr. BLUM. How long have you worked for ITT?

Mr. RYAN. Just about 13 years.

WITNESS' POSITION IN AUGUST 1970

Mr. BLUM. What was your position in August 1970?

Mr. RYAN. At that time I was deputy director, Washington relations.

Mr. BLUM. What duties did the job of deputy director include?

Mr. RYAN. Well, generally speaking, as most deputy slots are designed, the duties would be to support the director of the office handling a myriad of details, administrative items, a good deal of house-keeping, budgetary type of thing. In addition to some duties or tasks that might be assigned from time to time.

Mr. BLUM. And your immediate superior was who? Who was your immediate superior?

Mr. RYAN. Mr. William Merriam.

Mr. BLUM. And to whom did you report in the corporation? Was that under Mr. Gerrity in the public relations department?

Mr. RYAN. Yes, Mr. Merriam reported to Mr. Gerrity, right.

MEMORANDUM OF OCTOBER 6 CONVERSATION WITH MR. BROE

Mr. BLUM. Please turn to the memorandum of conversation marked personal and confidential referring to an October 6 conversation with Mr. Broe. Do you recognize that memorandum?

Mr. RYAN. Yes.

Mr. BLUM. Were you the author of the memorandum?

Mr. RYAN. Yes.

Mr. BLUM. Did you ever talk to Mr. Broe before that telephone call?

Mr. RYAN. No.

Mr. BLUM. Who initiated the call? Did you call Mr. Broe or did Mr. Broe call you?

Mr. RYAN. Well, as I think I explained to Mr. Levinson in our preliminary session, I am a little bit hazy on that. I am not sure because of the circumstances. Mr. Merriam was not in the office that afternoon, and he had asked me to call or asked me to take a call sometime late in the afternoon, and I am inclined to think it was the latter, from Mr. Broe because Mr. Merriam would be tied up in a meeting. So, as best I can recollect he called me, sir.

Senator CHURCH. Mr. Merriam then was expecting a call from Mr. Broe and asked you to take it in his absence?

Mr. RYAN. That is right.

Mr. BLUM. Did you know who Mr. Broe was?

Mr. RYAN. Yes, I had been made aware he was with the agency.

Mr. BLUM. By that you mean the Central Intelligence Agency?

Mr. RYAN. Yes.

Mr. BLUM. How did you know that?

Mr. RYAN. Through discussions with Mr. Merriam. I knew the name. I can't be precise as to when I first heard it, but I knew he was in fact with the Central Intelligence Agency.

Mr. BLUM. Do you consider the memorandum an accurate report of the telephone call?

Mr. RYAN. Yes, I would have to, sir, because I listened. I was not familiar with the subject, had a very superficial involvement and I listened as carefully as I could and took as complete notes as I could and then following the discussion from my notes dictated this very rough summary, if you would like to call it that.

Mr. BLUM. What did you understand Mr. Broe to mean when he said, "The picture is not rosy."

Mr. RYAN. I had to take practically everything he passed on to me, Mr. Blum, at face value. I was not in any position to ask any questions. I had not planned to ask any questions and I had none on my mind. I tried to be as accurate as I could in committing to a piece of paper what he had told me.

Mr. BLUM. Do you recall any further explanation by Mr. Broe on the comment, "The military might take a stand."

Mr. RYAN. No, sir; I do not.

Mr. BLUM. The memo says, "Broe advises to keep on the pressure." To what pressure was he referring? Can you explain that?

Mr. RYAN. He did not identify that and I did not ask him to explain it.

Mr. BLUM. Were you aware of any pressure ITT had begun to exert?

Mr. RYAN. No detail; no, sir.

Senator CHURCH. You didn't ask him because you assumed Mr. Merriam would know what he meant?

Mr. RYAN. I was just taking notes, Mr. Chairman.

Senator CHURCH. Just to pass it on to Mr. Merriam?

Mr. RYAN. Yes.

Senator CHURCH. All right.

Mr. BLUM. Was it your understanding the CIA had given up on stopping Allende's election and was simply trying to weaken his position?

Mr. RYAN. I haven't any idea, sir.



Mr. BLUM. You have in quotes the phrase "The military still might do something." Was there any explanation of that?

Mr. RYAN. No. The reason that would be in quotes is it was as near as I could remember that was exactly what he said.

MEMORANDUM OF OCTOBER 6 BROE CONVERSATION

Mr. BLUM. That is exactly what Mr. Broe said to you. Was there any suggestion from Mr. Broe about how the run on the banks might be accomplished?

Mr. RYAN. No; I am afraid I can't add to that at all.

Mr. BLUM. What was the newspaper article that Mr. Broe referred to? Do you have any recollection of that?

Mr. RYAN. I really to this day am not sure. I know that during our—again referring back to our preliminary session—there was one mentioned. I don't know whether that was the one or not. There was also one that I think Mr. Merriam mentioned this morning, or a member of the committee, the Prewitt column. That could be the one. I haven't any idea at all what the Prewitt column said in retrospect.

AUGUST 12, 1970, MEMO FROM MR. GERRITY

Mr. BLUM. Going back before that telephone call, on August 12, 1970, you received a memo marked personal, confidential, and urgent from Mr. Gerrity in New York giving you a series of instructions to relay to the Washington office staff. Is that correct?

Mr. SCHAFER. Do you want to give us a reference to that?

Mr. BLUM. That is not in any of these documents. That is one of the documents released by the House Commerce Committee. I believe it is dated August 10, pardon me. It is item No. 4 on that sheet. I will read the full extract.

Memo dated August 10, 1970 marked personal and confidential also designated as 'urgent' to Ryan from Gerrity. Memo relating to meeting that apparently occurred previous Friday with Chuck Colson at the White House. The memo indicates that Schmitt, Beard, Horner and Goodrich should acquaint key people with what happened the previous Tuesday and Thursday and Friday. The purpose was stated to have these people ready to act as needed. This was discussed with Merriam, Oasey and Ed Wallace. It is suggested that the board brief Roy and Bob, et al. (were apparently Congressmen). Indicates there were two other names in memo included Ray and Bert, who are supposed to know what to do with Jack and Bernie. Ray and Bert are also supposed to keep their ears open as to what is happening to McLaren. The whole thing. Bill McPeak is also mentioned as one to be made aware of the situation. Mention is also made of a meeting between Hal and John, the John being Mitchell.

That is the memo I am talking about.

Did you receive such a memo?

Mr. RYAN. I would have to assume I did, Mr. Blum. I think the reason I received this is that Mr. Merriam was on vacation during this period. I would have to make that assumption. There are so many names here in this digest, I don't know if I could really get much of a handle on what the subjects were—I don't think there was any one subject.

Senator CHURCH. For that reason, Mr. Ryan.

Mr. RYAN. I am sorry?

Senator CHURCH. Would you supply the memo to the committee so we may review the contents. [See Appendix I, page 555.]

Mr. SCHAFER. Certainly.

Mr. RYAN. Perhaps if I had that in front of me—

Senator CHURCH. We are both faced with the same problem. Neither the committee nor you have the full memo. We just have these notes. If you will supply the full names, we can then have a careful look at it.

Mr. RYAN. I have just barely gotten a copy of the digest. It is the first time I had seen it, this morning.

#### MEETING WITH MR. COLSON AND MR. EHRLICHMAN

Mr. BLUM. Quite apart from the detailed contents of the memo, do you have any recollection of what happened at the meeting with Mr. Colson and I believe with Mr. Ehrlichman, which Mr. Merriam and Mr. Geneen attended?

Mr. RYAN. I really think I would have to speculate at this point, sir. It was a long time ago.

Mr. BLUM. You specifically don't recall any discussion of Chile or ITT's holdings in Latin America?

Mr. RYAN. I was not at the meeting that is referred to here. I am sorry. I didn't understand the question.

Mr. BLUM. And Mr. Merriam didn't tell you what happened or would you have to again go back to the memo?

Mr. RYAN. I would have to guess, Mr. Blum.

#### AUGUST 19, 1970, MEETING WITH MAURICE STANS

Mr. BLUM. On August 19, 1970, you met with Maurice Stans. That meeting, too, is referred to in these extracts.

Do you recall who was present at that meeting?

Mr. RYAN. I think I was alone at that meeting, and I believe—is that referenced here. I am sorry, may I look at this for just a second?

Mr. BLUM. Certainly.

Mr. RYAN. Yes; I am a little bit disturbed about this particular digest because it has appeared in a number of papers and there is something highly confusing here because some of these remarks don't belong. They are not in the context of going to see Secretary Stans.

As best I can recall I went to see him on something to do with OFDI—Office of Foreign Direct Investment—or balance of payments or it might have been to deliver something to do with that subject. The only extent of any, if you want to call it antitrust discussions, that I had with him at that point—and the reason I mention this, I know it is not foreign relations, but it was an implication in the paper—was on the way to the door. It was after a very brief meeting had finished, and I think I said something to him like, "Mr. McLaren is still very tough on his position," and he said, "Well, if he is going to remain that way, perhaps if you all want to do it, perhaps you could put some kind of a settlement together" and that was the end of it. And this is why, in my mind, it had never really hit me as being any great substantive discussion on antitrust. I believe it had to do with OFDI.

Senator CHURCH. Did you make a memorandum of the conversation?

Mr. RYAN. I probably did, sir. Well, I don't know. Does it refer to one? Yes; apparently I did.

Senator CHURCH. Would you supply the committee with that memorandum, please.

Mr. SCHAFER. We will.

Mr. RYAN. But the reference to Kleindienst and the idea of looking for a break has nothing to do with that. That I am absolutely sure of.

Senator CHURCH. Just supply the committee with the memorandum of conversation that relates to your meeting with Mr. Stans. [See appendix, page —.]

Appendix I, page 555.]

Mr. BLUM. You have beyond that no recollection of discussing your problems in Chile or the general position of ITT's holdings in Latin America?

Mr. RYAN. I would be almost certain that I would not discuss Chile or any allied subject with Secretary Stans.

Mr. BLUM. Was there any discussion at all with Secretary Stans of the contact with Broe?

Mr. RYAN. No, sir.

Mr. BLUM. I have no further questions, Mr. Chairman.

#### QUOTES OF OCTOBER AND CONVERSATION WITH MR. BROE

Senator CHURCH. Mr. Ryan, so that I may be sure that I am interpreting the notes you made on your telephone conversation with Mr. Broe correctly, you have in quotes about half a dozen phrases. One phrase is "Mr. Broe said the 'picture is not rosy.'" Another phrase concerns the likelihood that Mr. Allende would be installed as president by the vote of the congress—"he only needs a few votes to carry him."

The next quote in your memo has to do with the Broe statement that Chile is still in turmoil and that women, labor, and farmers are against any kind of deal. Then you quote Mr. Broe as saying, "This is the group that will fight."

Did you understand Broe to mean by that that if a deal were made this is the group that would resist?

Mr. RYAN. If the deal were made, Mr. Chairman?

Senator CHURCH. If a deal were made that this is the group that would fight against it. I will read the whole sentence.

Mr. RYAN. I presume, sir; he is referring to women, labor, and farmers.

Senator CHURCH. Yes.

Mr. RYAN. The term "deal"—I don't know what he meant by that.

Senator CHURCH. Then going on you again quote Mr. Broe as saying, "Broe advises to keep on the pressure; this because A. should not take office with 'complete support' and also for the weakening we might accomplish after he does take office—also," and again I quote "there is always a chance something might happen later."

Finally, you quote him as saying, "The military still might do something."

It is obvious that you took very careful notes. Not being fully acquainted with all the particulars and having to report to your su-

perior, you wanted to make sure that your report to him on the Broe conversation was accurate; did you not?

Mr. RYAN. To the best of my ability.

Senator CHURCH. You can tell us then that to the best of your recollection these quotes were actually the statements Broe made to you on the telephone.

Mr. RYAN. I was fairly sure of what he said and I think I tried to make it as exact as I could. I may not have been successful, but I did the best I could in that respect, yes, sir.

Senator CHURCH. It was your best effort to accurately—

Mr. RYAN. Yes, sir.

Senator CHURCH. Even to the use of the words in the quotes.

Mr. RYAN. I attempted to. I again may not have been successful.

Senator CHURCH. I press this because as yet we have not produced Mr. Broe's own testimony on what took place. We have only the testimony of ITT officials.

Mr. RYAN. Certainly.

Senator CHURCH. So I wanted to make certain that to the best of your recollection these are accurate quotes of what Mr. Broe said.

Mr. RYAN. That is right.

Senator CHURCH. Senator Muskie?

#### WITNESS' FAMILIARITY WITH CHILEAN AND POLICY DEVELOPMENTS

Senator MUSKIE. You were not at all familiar at that point with the developments in Chile or the developments with respect to the country's policies toward that problem.

Mr. RYAN. Well, to answer the first part of that I think only in a superficial way. I was certainly aware of the fact that Mr. Allende has, so to speak, telegraphed his intention to either expropriate or intervene our telephone company there. I am sorry, sir, the second part of that I missed.

Senator MUSKIE. Let me put it more specifically. This morning with Mr. Merriam we discussed documents indicating that ITT, specifically Mr. Merriam or the staff in his Washington office, was involved in a collaborative effort of some sort with Government agencies to develop policies in Chile designed to counter the threat or perceived threat of Mr. Allende to ITT properties there.

Now, were you aware of that activity and those discussions?

Mr. RYAN. In a general way, sir. I did not participate to any great extent in the meetings that took place there or any detailed discussions on it. Sometimes it would come at a staff meeting. I occasionally would see a copy of a memorandum, but I certainly did not see the majority of them. I was only familiar in, I would say, a general way. I wouldn't say in a vague way, but in a general way, yes.

Senator MUSKIE. Was your discussion with Mr. Broe entirely meaningless to you?

Mr. RYAN. No, not highly meaningless.

Mr. SCHAFER. I think he said entirely.

Mr. RYAN. No, sir, it was not entirely meaningless.

#### WHERE PRESSURE WAS TO BE KEPT ON

Senator MUSKIE. At several places in this memo, there are references to keeping the pressure on.

Did you have any impression as to whether Broe was speaking about keeping the pressure on in Washington or in Chile?

Mr. RYAN. Sir, at the time that I talked to Mr. Broe, and that would be what, October?

Senator MUSKIE. October 6.

Mr. RYAN. Of 1970, I have heard so much about this subject since, I will have to go back to what my general understanding was at that point. I had no great depth of understanding of what any of the discussions had come up with or what any plans may have been. I might have heard from time to time—a bit and a piece—but I was not involved in it and didn't pay that much attention to it frankly.

Senator MUSKIE. So the significance of particular language or particular quotes used by Mr. Broe was lost on you so far as your familiarity with the problem is concerned?

Mr. RYAN. Yes, if I had to answer that question by going back to one of these and trying to assess in my mind what Mr. Broe meant I would have great difficulty—I would have to guess what he meant.

Senator CHURCH. Thank you, Mr. Ryan.

Mr. RYAN. Thank you very much.

Senator CHURCH. Our next witness is Mr. Jack Neal of the ITT.

#### SWEARING IN OF WITNESS

Mr. Neal, would you please raise your right hand and take the oath? Do you swear the testimony you are about to give in this proceeding will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. NEAL. I do, Senator.

Senator CHURCH. Please be seated.

Mr. Blum.

#### WITNESS' NAME AND ADDRESS

Mr. BLUM. Mr. Neal, for the record, would you please state your full name and address?

**TESTIMONY OF JACK D. NEAL, INTERNATIONAL RELATIONS DIRECTOR, ITT, ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. NEAL**

Mr. NEAL. Jack D. Neal, 4301 Massachusetts Avenue, Washington, D.C.

#### WITNESS' PRESENT AND PAST POSITIONS

Mr. BLUM. What is your present position?

Mr. NEAL. Director of International Relations of ITT, Washington.

Mr. BLUM. How long have you worked for ITT?

Mr. NEAL. Over 8 years, sir.

Mr. BLUM. What did you do before you joined ITT?

Mr. NEAL. I was with the U.S. Government.

Mr. BLUM. In what capacity?

Mr. NEAL. In the Department of State.

Mr. BLUM. How long were you there?

Mr. NEAL. Thirty-five years, Mr. Blum.

Mr. BLUM. What were your duties with the company in 1970 and 1971, what did they encompass?

Mr. NEAL. The same as they are today; the title was the same.

Mr. BLUM. What did that mean, advising and doing what?

Mr. NEAL. Advising the company regarding international relations.

Mr. BLUM. Who was your immediate superior?

Mr. NEAL. Mr. William R. Merriam.

#### BEGINNING OF WITNESS' FOLLOWING CHILEAN AND POLITICAL DEVELOPMENTS

Mr. BLUM. When did you begin following the Chile and political developments for ITT?

Mr. NEAL. The election was in September 1970. I began back as far as late 1969.

Mr. BLUM. Perhaps this will help. There is a report from you to Mr. Gerrity labeled "Report No. 3" and it is dated August 17.

Do you have any recollection when report No. 1 might have come?

Mr. NEAL. I would say it was probably in January 1970.

#### MR. GENEEN'S JULY 16, 1970, MEETING WITH MR. BROE

Mr. BLUM. Were you informed of Mr. Geneen's July 16, 1970, meeting with Mr. Broe?

Mr. NEAL. Yes, I was.

Mr. BLUM. Who informed you?

Mr. NEAL. Mr. Merriam.

Mr. BLUM. Were you informed of the substance of the meeting?

Mr. NEAL. No, I was not, except for the fact that Mr. Merriam was to keep in touch with him.

#### MR. GENEEN'S JULY 27, 1970, TELEPHONE CALL TO MR. BROE

Mr. BLUM. Were you informed of Mr. Geneen's or of a telephone call from Mr. Geneen to Mr. Broe on July 27, 1970?

Mr. NEAL. No, Mr. Blum, I was not.

#### WAS CHILEAN SITUATION DISCUSSED AT AUGUST 4 OR 7 MEETINGS?

Mr. BLUM. To your knowledge was there any discussion of the Chilean situation at the meeting between Mr. Geneen and Attorney General Mitchell on August 4, 1970?

Mr. NEAL. I do not know.

Mr. BLUM. To your knowledge was there any discussion of the Chilean situation at the August 7, 1970, meeting between Mr. Geneen, Mr. Merriam, Mr. Colson, and Mr. Ehrlichman?

Mr. NEAL. That I would not know, Mr. Blum.

#### STATE DEPARTMENT ASSESSMENT OF ALLENDE VICTORY

Mr. BLUM. Turning to your memorandum of September 8 about the State Department assessments of Allende's victory, were you asked to get the assessment?

Mr. NEAL. I was keeping up with this, Mr. Blum, so it is only natural that I would check out the final details.

Mr. BLUM. As I read that memo, the State Department thought Mr. Allende was in and nothing could be done.

Mr. NEAL. If that is what it says—I have not read it recently.

#### MR. GENEEN'S SUGGESTIONS ABOUT CHILE

Mr. BLUM. Turning to your memorandum to Mr. Merriam, dated September 14, 1970, it is about your activities over the preceding weekend.

Mr. NEAL. Yes.

Mr. BLUM. The memo begins,

After you read me Mr. Geneen's suggestions about Chile on Friday, September 11, I took the following action over the weekend.

Do you recall what Mr. Merriam told you about Mr. Geneen's suggestion?

Mr. NEAL. Mr. Merriam told me that; yes.

Mr. BLUM. Anything more specific? What did he say?

Mr. NEAL. You mean about the—

Mr. BLUM. About what Mr. Geneen wanted done.

Mr. NEAL. It is specifically set out in the memorandum, Mr. Blum, what he wanted done: to get in touch with the White House and express his deep concern about the Chile situation, not only because of our heavy investment there, but also because we were concerned about the threat to the whole hemisphere. He went on to say Mr. Geneen was willing to come to Washington to see anyone who wished to see him on this subject.

#### RESULTS VISITS WERE DESIGNED TO PRODUCE

Mr. BLUM. What was your understanding of the results Mr. Geneen wanted your advice to produce?

Mr. NEAL. Excuse me, give me that one again.

Mr. BLUM. What results were those visits designed to produce?

Mr. NEAL. To protect our interest in Chile.

Mr. BLUM. How?

Mr. NEAL. In any way the U.S. Government could.

Mr. BLUM. Nothing more specific than that?

Mr. NEAL. Not at all.

#### WITNESS' RELUCTANCE TO SEE TAXPAYERS SUFFER \$95 MILLION LOSS

Mr. BLUM. In discussing your visit to Mr. Vaky, of Dr. Kissinger's staff, you say—

Mr. NEAL. No; not my visit, I don't believe it said that. It said a telephone call.

Mr. BLUM. Telephone call, excuse me. You say about that that you said to him that you were reluctant to see the taxpayers suffer a \$95 million loss.

Were you saying in effect that the U.S. Government should do something in Chile to protect its investment even if it were not interested in protecting ITT?

Mr. NEAL. Well, let's go back to your reference here to the American taxpayers, I am glad you asked that because the clause, "reluctant

to see the American taxpayers cover such losses," is in error. This is an OPIC guarantee; so it is not the American taxpayers' loss. This is an insurance policy, as you know, and it is not necessarily out of the taxpayers' pockets. That should be corrected.

Now, about the other part of your question.

Senator CHURCH. Under the law, isn't it true that if the reserves are insufficient to pay the claims that may be collected from OPIC that the full fate and credit of the United States stands behind the insurance guarantees?

Mr. NEAL. I am not an expert on OPIC. I don't know how much money is in their fund.

Senator CHURCH. We are going to be looking into that, but I think, so that the whole record is complete here, the law does provide that in the event that OPIC's reserves fall short of paying the companies for losses that have been incurred—

Mr. NEAL. Yes.

Senator CHURCH. Then the full faith and credit of the U.S. Government stands behind those guarantees.

Mr. NEAL. I would think so.

Senator CHURCH. So that, in that sense the taxpayer—

Mr. NEAL. It is a quasi-Government operation, I believe.

Senator CHURCH. Right.

Mr. NEAL. And it is an insurance operation.

Senator CHURCH. It is a Government insurance operation.

Mr. NEAL. But as I said before I don't know what is in their budget and have no idea whether they have the money to pay our claim.

Mr. BLUM. In any event, Mr. Neal, you did make the argument to Mr. Vaky if the Government chose not to act OPIC, whether you call it the taxpayer or not, would be out \$95 million.

Mr. NEAL. Putting it in that context, Mr. Blum, I don't know whether OPIC would be out that. We paid our full insurance premium on this; so I don't know what the sum would be. I imagine you would wish to take this up with OPIC.

#### PREMIUM PAID BY ITT FOR OPIC INSURANCE

Senator CHURCH. What was the premium that ITT paid for this?

Mr. NEAL. I don't know; I am not the OPIC expert.

Senator CHURCH. I wonder if you would see to it.

Mr. NEAL. You have some other people here who can give you that, Senator, very easily.

Senator CHURCH. If the other witnesses can't supply it or if we neglect to ask, I wonder if counsel would furnish that figure.

Mr. SCHAFER. Would you like to have the premium, annual premium?

Senator CHURCH. The premium paid by ITT for OPIC insurance covering ITT's properties in Chile (see testimony p. 86).

Mr. SCHAFER. Surely.

#### AMBASSADOR KORRY'S POSITION ON ALESSANDRI FORMULA

Mr. BLUM. Mr. Neal, in that memo you mentioned the Alessandri formula to Mr. Vaky and you said that Ambassador Korry favored it. How did you know that Ambassador Korry favored it?



Mr. NEAL. I went over this memorandum and I know what the Alessandri formula is; it was mentioned here this morning. The memorandum was dated September 14, 1970; therefore, I don't actually remember what Ambassador Korry's position was at that time. I would imagine, since he was the American Ambassador it would be one of hopeful awaiting but hands off. As you probably know, nothing came of the Alessandri formula.

Senator CHURCH. Mr. Neal—

Mr. NEAL. Yes, sir, Senator.

#### FINANCIAL ASSISTANCE IN "SUMS UP TO SEVEN FIGURES"

Senator CHURCH. In this memorandum addressed to Mr. Merriam covering your conversation with the State Department you go on to say,

I told Mr. Vaky to tell Mr. Kissinger, Mr. Geneen is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures.

Mr. NEAL. Yes, sir.

Senator CHURCH. I think this is the first time that that "sums up to seven figures" has been mentioned. By a sum up to seven figures you meant a sum up to \$1 million, did you not?

Mr. NEAL. I would.

Senator CHURCH. A million dollars or more.

Mr. NEAL. Oh, yes, that is right.

Senator CHURCH. At least \$1 million.

Mr. NEAL. Thank you; that is right, Senator.

Senator CHURCH. Yes.

What was it that ITT wanted to pay for?

Mr. NEAL. What?

Senator CHURCH. What was it that ITT wanted to pay for?

Mr. NEAL. I don't think this was a question of paying for or a contribution with the seven figures I mentioned, Senator; we were prepared to assist in any program which the U.S. Government might formulate which would include U.S. private enterprise or corporations.

Senator CHURCH. And you were prepared to contribute in support—

Mr. NEAL. Any program the U.S. Government might formulate.

Senator CHURCH. Of a U.S. Government plan to at least \$1 million?

Mr. NEAL. Yes.

#### ITT'S EFFORTS TO AROUSE OTHER COMPANIES

Senator CHURCH. Then you go on to say:

I said Mr. Geneen's concern is not one of "after the barn door has been locked," but that all along we have feared the Allende victory and have been trying unsuccessfully to get other American companies aroused over the fate of their investment, and join us in pre-election efforts.

This is the first time I think that we have seen in any written statement that the ITT company was attempting to get other American companies to join them. That is what you meant by that?

Mr. NEAL. No, I did not, Senator.

Senator CHURCH. What did you mean?

Mr. NEAL. It was not ITT trying to get other companies to assist at all. As mentioned in the hearings this morning, we received a call on this matter. We were in consonance with other companies but ITT did not instigate it.

Senator CHURCH. But let me read you your words again and then tell me what you meant by it.

Mr. NEAL. Yes, all right.

Senator CHURCH. I said:

Mr. Geneen's concern is not one of "after the barn door has been locked," but that all along we have feared the Allende victory and have been trying unsuccessfully to get other American companies aroused \* \* \*.

As I read that language, I can only interpret it one way, that you feared the victory and had been trying unsuccessfully to get other companies aroused.

Mr. NEAL. Aroused in their representation to the U.S. Government, Senator.

Senator CHURCH. So in that sense—

Mr. NEAL. Yes.

Senator CHURCH [continuing]. ITT was attempting to get other companies to approach the Government.

Mr. NEAL. After the ad hoc committee meeting that was referred to this morning.

Senator MUSKIE. Mr. Chairman, that sentence—

Mr. NEAL. It was later on, my attorney said it was later on.

Senator CHURCH. The date of this memorandum is after the popular election in Chile and before the congressional—

Mr. NEAL. That is right, September 1970. I think it was the 11th and the memo is dated the 14th.

#### PRE-ELECTION EFFORTS AND OFFERED SUMS

Senator MUSKIE. Yes, but the sentence that Senator Church has been reading concludes with these words, "and join us in pre-election efforts."

Mr. NEAL. Yes, Senator.

Senator MUSKIE. What were those efforts?

Mr. NEAL. The efforts were to have them make representations to the U.S. Government as we had been doing.

Mr. BLUM. Mr. Neal—

Mr. NEAL. Yes, Mr. Blum.

Mr. BLUM. What results did you want to have—

Senator MUSKIE. Well now, why would you be offering sums up to seven figures for efforts directed at influencing the U.S. Government?

Mr. NEAL. No, I didn't say that, Senator, and I don't think the memorandum says that.

Senator MUSKIE. No, but both subjects are in the same paragraph.

Mr. NEAL. Well, there are two different thoughts there, I am sure. I am sure there are.

Senator MUSKIE. They are not clearly two different thoughts on their face.

Mr. NEAL. They are two different thoughts, of course. I don't see any connection between the offer of the seven figures to the U.S. Gov-

ernment and the other which was a reference to our efforts in trying unsuccessfully to—

Senator MUSKIE. Let me read the two sentences.

Mr. NEAL. Yes.

Senator MUSKIE.

I told Mr. Vaky to tell Mr. Kissinger Mr. Geneen is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures. I said Mr. Geneen's concern is not one of "after the barn door has been locked," but that all along we have feared the Allende victory and have been trying unsuccessfully to get other American companies aroused over the fate of their investments, and join us in pre-election efforts."

That is a continuous thought on its face.

Mr. NEAL. Well, it has nothing to do with the seven figures as I see it, Senator.

Mr. LEVINSON. Mr. Neal.

Mr. NEAL. Yes, Mr. Levinson.

Mr. LEVINSON. Place this in context. We now have had the September 4 popular election. We have not yet had the October 24 congressional election. When you say that "all along we have feared the Allende victory and have been trying unsuccessfully to getting other American companies aroused over the fate of their investments, and join us in pre-election efforts," you really meant there pre-September 4 election. You were trying to get American companies aroused before the September 4 election. Isn't that the context? Isn't that what you meant by that sentence?

Mr. NEAL. I would say so, yes.

Mr. LEVINSON. Right.

#### RELATIONSHIP BETWEEN PLAN TO STOP ALLENDE AND ITT CONTRIBUTION

The sums up to seven figures—Mr. Merriam had advised you that Mr. Geneen wanted this offer made to Dr. Kissenger's office, hadn't he? That was part of the instructions he had received from Mr. Geneen.

The essence of that was that ITT would contribute in a sum up to seven figures if the U.S. Government had a plan to stop Allende, wasn't it? It was related. If the Government had a plan to stop Allende, you were to communicate that ITT would contribute a sum up to seven figures. Isn't that the fact?

Mr. NEAL. I believe I stated, Mr. Levinson, that we were prepared to assist any programs the U.S. Government might formulate, which included U.S. private industry or corporations.

Mr. LEVINSON. To stop Allende from being elected?

Mr. NEAL. No, Mr. Levinson.

Mr. LEVINSON. If the U.S. Government had a plan.

Mr. NEAL. No, Mr. Levinson, not to stop Allende. I don't think it said that.

Mr. LEVINSON. I didn't say it said that. I am asking you if you were told to communicate to Mr. Vaky that if the U.S. Government had a plan to stop Allende they could count on ITT for a sum up to seven figures. That is the essence of it, isn't it?

Mr. NEAL. I said to Mr. Vaky exactly what I said here and I didn't elaborate on the seven figures.

Mr. LEVINSON. When you talk about private investment, you were in the State Department and fully familiar with the U.S. aid program

in your capacity. Indeed you were the Peru desk officer during the time of the International Petroleum Co. dispute under Mr. Mann. Isn't that a fact?

Mr. NEAL. No, not exactly.

Mr. LEVINSON. Part of the time you were on the Peru desk, weren't you?

Mr. NEAL. I was Director of Peruvian and Ecuador Affairs.

Mr. LEVINSON. You have my heartfelt apologies. I didn't mean to demean the position.

Mr. NEAL. You know the positions better than I do.

Mr. LEVINSON. Yes.

Mr. NEAL. Yes, I was the Director of Peruvian and Ecuadorian Affairs.

Mr. LEVINSON. Yes.

You knew as well that the Chilean Government under President Frei had received one of the highest per capita amounts of foreign aid during the whole Alliance for Progress period. That is a fact, isn't it?

Mr. NEAL. Oh, that is a fact, yes.

Mr. LEVINSON. Right.

So when you talk now about figures related to some form of foreign aid or foreign private investment or some such thing, whatever could lead you or anyone else, as sophisticated as yourself in connection with the aid program, to believe that this could have an impact on the Chilean congressional election of October 24?

Mr. NEAL. Anything that the U.S. Government might want to formulate, Mr. Levinson.

#### KIND OF PLAN ITT WAS PREPARED TO SUPPORT

Senator CHURCH. Are you asking us to believe, Mr. Neal, that ITT was prepared to contribute up to a million dollars to support any kind of plan the Government might come along with regardless of what it was? You don't really mean that, do you? ITT had a very definite objective. All the other documents to which we have alluded bear that out. The objective was either to block Mr. Allende's election or to create conditions that would make it extremely difficult for his administration to survive the first 6 months.

Now that is the plan. If the Government came up with a plan designed to achieve these objectives, your company was prepared to contribute up to seven figures in support of that plan. Isn't that correct?

Mr. NEAL. Well, I think you had a number of if's and and's in there, maybe several questions and I wouldn't like to answer yes or no to it, but I would say that our effort was to try to bring Mr. Allende to the realization that in accordance with law we wanted just and prompt payment for any expropriation of our properties; that is all.

Mr. BLUM. Mr. Neal, what did you expect the Government to do with the money? What kind of plan was it and how might it be implemented, in your judgment?

Mr. NEAL. We did not go into that, Mr. Blum, at all. The memorandum reads as I gave Mr. Vaky the message, and someplace in here he said he appreciated Mr. Genese's interest and he would pass this on to Dr. Kissinger, and that was it.

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Mr. BLUM. When you got the instructions about making the offer, was there any suggestion from people in ITT management about what they anticipated the plan might include.

Mr. NEAL. Not anticipated. As I said, my instructions stated we were prepared to assist in any reasonable program the U.S. Government might formulate.

Mr. LEVINSON. Mr. Neal.

Mr. NEAL. Yes, Mr. Levinson.

#### MEANING OF "SAVING THE SITUATION"

Mr. LEVINSON. Aren't you yourself very explicit when you say "I admitted." You have a paragraph here where you say Mr. Vaky told you there was lots of thinking about Chile and it was a real tough one for the United States. You say, "I admitted we understand the difficulty of the U.S. position, but we hope the White House, State, et cetera, will take a neutral position, or not discourage, in the event Chile or others attempt to save the situation."

Mr. NEAL. Yes.

Mr. LIVINGSTON. In that context "saving the situation" means in some way that Mr. Allende should not come to power. Isn't that clear?

Mr. NEAL. Not particularly because you are reading here "the United States would take a neutral position" and I think you should read on "or not discourage in the event Chile or others attempt to save the situation" and I think that I might repeat from the prehearings that this concerned events in Chile, not anything else.

Mr. LEVINSON. I never said it didn't involve anything but Chile.

Mr. NEAL. That is right.

Mr. LEVINSON. It says "or not discourage in the event Chile or others attempt to save the situation." What was meant by "saving the situation"?

Mr. NEAL. This was a Chilean attempt.

Mr. LEVINSON. Avoiding Mr. Allende becoming president was the ultimate objective of all this. Isn't that clear?

Mr. NEAL. No, no.

Mr. BLUM. Mr. Neal, you say that it was events in Chile—

#### OTHERS WHO MIGHT ATTEMPT TO SAVE SITUATION

Senator CHURCH. May I ask when you say in the event Chile or others attempt to save the situation, who are the others to whom you had reference?

Mr. NEAL. At that time, Senator Church, there were rumors and talk in Chile that the Chilean military was dissatisfied with the way things were going and might take the situation in their own hands.

Senator CHURCH. But they were Chileans. Who were the others?

Mr. NEAL. That is right. As I said before this is a Chilean operation. There was also talk that the Argentines were upset about the situation and might even try to assist the Chilean army in some way to take care of the situation.

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## REASON FOR SUGGESTING WHITE HOUSE REMAIN NEUTRAL.

Mr. BLUM. Mr. Neal, what led you to believe that the White House might prevent that from happening?

Mr. NEAL. I didn't say that they might. I just said I trust they will take a neutral position; the Chileans were hoping the same thing.

Mr. BLUM. Why did you think it necessary to say to the White House in the event there is a military coup in Chile, please don't do anything. Did you think they would?

Mr. NEAL. I didn't say that, Mr. Blum.

Mr. BLUM. I must have misunderstood your earlier answer then. You did go to Mr. Vaky.

Mr. NEAL. I didn't say that at all to Mr. Vaky.

Mr. BLUM. You went to Mr. Vaky and you said—

Mr. NEAL. No, I telephoned Mr. Vaky.

Mr. BLUM. You telephoned Mr. Vaky?

Mr. NEAL. Yes.

Mr. BLUM. And you said, "We hope the White House will remain neutral in the event Chile or others attempt to save the situation." You just told us you meant by that Chileans or other non-U.S. citizens. Why was it necessary for you to suggest, if that is what this meant.

Mr. NEAL. It might not have been necessary, but I did, Mr. Blum. I made the statement; that is all.

## PURPOSE OF WITNESS' TRIP TO WHITE HOUSE

Mr. BLUM. In other words you went to the White House to advocate.

Mr. NEAL. I didn't go to the White House. Let's correct that.

Mr. BLUM. You talked to Mr. Vaky.

Mr. NEAL. Right.

Mr. BLUM. To advocate a policy of nonintervention in Chile; is that correct?

Mr. NEAL. Right.

Mr. LEVINSON. The nonintervention of course, was in the context of Chile or Argentina or somebody taking action. You called it save the situation, and by saving the situation you mean Mr. Allende should not come to power. You were concerned about your investments as you told Mr. Merriam in this memorandum.

Mr. NEAL. Yes.

## POINT OF WITNESS' CONVERSATIONS

Mr. LEVINSON. The whole point of all these conversations was to manifest, as others were, your concern on ITT's part that if Mr. Allende came to power the company would not get fair compensation in the event he expropriated its property. That is perfectly clear, isn't it, Mr. Neal?

Mr. NEAL. We were interested in fair compensation for our property, there is no doubt about that.

Mr. LEVINSON. And you feared if Mr. Allende came to power you would not get fair compensation for your property.

Mr. NEAL. His reelection statements were very clear.

Senator CHURCH. The answer to the question is yes, you did have fear.

Mr. NEAL. Yes, absolutely, everyone did, I believe.

WITNESS' CONVERSATION WITH MR. MITCHELL AT KOREAN EMBASSY PARTY

Mr. BLUM. Mr. Neal, you mentioned in the memorandum seeing Attorney General Mitchell at the Korean Embassy party.

Mr. NEAL. Yes.

Mr. BLUM. Was that the first time you had met the Attorney General?

Mr. NEAL. I didn't meet him then.

I didn't know him, but I did see him there.

Mr. BLUM. And you talked to him there?

Mr. NEAL. I talked to him.

Mr. BLUM. Did Mr. Mitchell know anything about ITT's problems in Chile?

Mr. NEAL. No, this did not come up in the conversation. Mr. Blum, to make it very clear, I arrived at the party on the early side because we had a later engagement. Mr. Mitchell was also early. I walked into the buffet room and here was Attorney General Mitchell by himself. I introduced myself because here we were face to face in a room alone. That is the way it happened.

Mr. BLUM. And you decided, as the memo says, to mention Chile just in case the subject reached him at a Cabinet meeting or otherwise?

Mr. NEAL. That is right. I introduced myself, said I was with ITT. He said, "I just saw Mr. Geneen the other day. How is he?" I believe. I said, "Well, he is worried about this Chilean situation."

Mr. BLUM. By "the other day" are we referring to the meeting between Mr. Mitchell and Mr. Geneen on August 4 or was it yet another meeting?

Mr. NEAL. I don't know. I don't know whether it was or not.

Mr. BLUM. And Mr. Mitchell gave you no indication at all of being aware of the Chilean problem?

Mr. NEAL. No, not at all. He just turned away and I did, too.

Mr. BLUM. He didn't say anything about knowing about the conversation with Mr. Broe?

Mr. NEAL. Oh, no.

MR. GENEEN'S SUGGESTIONS ABOUT CHILE

Senator MUSKIE. The upshot of the September 14 memorandum is this statement, "After you read me Mr. Geneen's suggestions about Chile on Friday, September 11, I took the following action. . . ." Do you recall what those suggestions were?

Mr. NEAL. His suggestions were to carry Mr. Geneen's message to the White House and also to the State Department.

Senator MUSKIE. The suggestions had no more substance than what you just indicated?

Mr. NEAL. And, I think it sets it out in the memorandum in the third paragraph, to express his deep concern over the situation and why;

that he was willing to come to Washington and also that he was prepared to assist with a sum up to seven figures.

DID MR. MERRIAM READ MR. GENEEN'S SUGGESTIONS FROM MEMO?

Senator MUSKIE. According to your memo, Mr. Merriam read those suggestions. Did he read from some memo? Was it your impression that he read from some memo?

Mr. NEAL. This was over the telephone, Senator, so I don't know. He probably had notes.

Senator MUSKIE. You say there he read them to you; so you knew he was reading them. Do you know what he was reading?

Mr. NEAL. I probably should have said he told me. I don't know whether he was reading or quoting.

Senator MUSKIE. It is not a very common way to quote—

Mr. NEAL. I was 1½ miles or 2 miles away from him and I don't know whether he was reading or whether he was doing it by memory, I imagine he probably had some notes.

Senator MUSKIE. If you were in doubt, would you have said "After you read me Mr. Geneen's suggestions"?

Mr. NEAL. I don't know. He passed on the suggestions. I won't stand on the word "read" if that is bothering you.

Senator MUSKIE. I gather we can get from other questioning whether or not Mr. Merriam read from another memo.

Mr. LEVINSON. Perhaps I can clarify that, Senator. We asked Mr. Merriam whether he was reading from something. He informed us that he had had some handwritten notes which he had subsequently destroyed and, therefore, did not have any other written memorandum.

Mr. NEAL. I see what Senator Muskie is after. I didn't know he was trying to inquire as to any possible memorandums we might have had. I didn't realize that, Senator. I don't know whether he had any notes or not.

Senator MUSKIE. He said he informed us he had handwritten notes which he subsequently destroyed.

WITNESS' OCTOBER 15, 1970, MEMO CONCERNING CONVERSATION WITH  
AMBASSADOR KORRY

Mr. BLUM. Mr. Neal, there are just two brief other points I would like to touch on. One is your memo to Mr. Merriam of October 15, 1970, indicating that you had a conversation with Ambassador Korry.

Mr. NEAL. Yes.

Mr. BLUM. In the memo you report that Ambassador Korry said he was having trouble convincing Washington to cut off aid. Did he in fact say that to you?

Mr. NEAL. If I reported that—this is not a very clear copy. I think I have another copy of the document. I have it now.

Mr. BLUM. I will read it. "The Ambassador said he had difficulty in convincing Washington the need to 'cut off' every possible assistance to Chile, but he insisted because he needs this as a bargaining point. This 'cut off' will be denied by State, who will say, as it has in the past, 'there has been no shut down of aid to Chile; the program is under review.'"

Mr. NEAL. Yes, he told me that.



Mr. BLUM. At the end of the memo, you say that Ambassador Korry suggested that Mr. Gencen get his views on United States-Chile policy to the White House immediately and that other companies should do the same.

Is that what he told you?

Mr. NEAL. Yes, he did.

Mr. BLUM. Did he say why he thought that should happen before October 24?

Mr. NEAL. That was the date of the congressional election in Chile.

Mr. BLUM. What result did you think might flow from that expression?

Mr. NEAL. This was Mr. Korry's statement. I don't want to speculate.

Mr. BLUM. Was he implying that your presentation and the presentation of other companies might fortify his position within the Department?

Mr. NEAL. I don't know whether he had that in mind or not, Mr. Blum.

#### POSSIBILITY OF PRESSURE EXERTED IN WASHINGTON BACKFIRING

Mr. BLUM. If you will turn to Mr. Merriam's memo about a meeting on October 22, 1970, which you participated in and it was a meeting with Dr. Danelian and one of the questions which comes up in the memo is the question of whether or not the pressures that were being exerted in Washington would backfire.

Do you recall that conversation?

Mr. NEAL. Which paragraph are you on, Mr. Blum?

Mr. BLUM. You will have to bear with me a minute.

Let me read it to be very specific.

All of us went over in great detail possible repercussions in Chile if and when it becomes known that we are pushing the State Department along certain lines. I, personally, feel that we don't have much to lose one way or the other, unless, of course, our so-called "pressures" come back to haunt us in other Latin American countries. This I also doubt.

Those are Mr. Merriam's words.

Mr. NEAL. Yes.

Mr. BLUM. I am asking you if you recall that meeting.

Mr. NEAL. I do not. I am quite certain I was there, but I don't recall.

Mr. BLUM. Was it your feeling—

Mr. NEAL. What?

Mr. BLUM. Was it your feeling that the pressures might backfire?

Mr. NEAL. No, these are Mr. Merriam's words. I don't recall that at all.

#### MEANING OF HOLDING UP INTER-AMERICAN DEVELOPMENT ACT

Mr. BLUM. Now, moving a little bit further down in that memo, I would like to see if I can understand what you are trying to do and I would like to read this paragraph:

We are planning, together with some of the other members of IEPA, to approach Senators Scott and Mansfield to see if they will just "forget" to take up the bill. We could prepare statements from them which would get a message to the other Latin American countries that Chile's action is affecting them, too, albeit indirectly.

Was the thought there that by holding up the Inter-American Development Bank appropriation you could get other Latin American countries to put pressure on the State Department?

Mr. NEAL. I don't know whether that was Mr. Merriam's meaning or not. I have no idea.

Mr. BLUM. Was that discussed at the meeting?

Mr. NEAL. I don't recall that it was. It must have been.

#### PURPOSE OF STIRRING UP LARGE EUROPEAN COMPANIES

Mr. BLUM. And finally you thought of getting large European companies to put pressure on their own governments to help in putting the pressure up?

Now, was that pressure in the United States or in Chile?

Mr. NEAL. That I don't know. Where is this, in the fourth paragraph?

Mr. BLUM. This is in the fourth paragraph, the last sentence.

Mr. NEAL. Is that what you mean?

Mr. BLUM. Let me read it:

It was also suggested that we try to determine if any large European companies are in the same position we are in Chile and other Latin American countries. If so, do you think there is any possibility of trying to get them stirred up?

Mr. NEAL. Now, what was your question?

Mr. BLUM. I am asking, stirred up for what purpose, to put pressure on the United States, Chile?

Mr. NEAL. I would think not. I don't know what the background of it was, but I would think that it would concern Chile naturally, but I don't know whether it means the companies, European companies, would go to their own governments and they in turn to the Chilean Government; I have no idea, Mr. Blum. Is this one of the documents from—

Mr. LEVINSON. The Anderson documents, yes.

Mr. NEAL. I have not seen it recently.

Senator CHURCH. Any further questions. Senator Muskio? Senator Percy?

Senator PERCY. Yes. I know you have a feeling that this committee is quite antagonistic.

Mr. NEAL. No, Senator. You have been very kind.

#### ITT'S RESPONSIBILITY IN SITUATION

Senator PERCY. I would like to do what I can to offer you the opportunity to describe as best you can what you considered the corporation's responsibility to be. As I see the situation, Mr. Allende made it quite clear while he was running for President that he would nationalize certain American companies. Is that right?

Mr. NEAL. Right.

Senator PERCY. Correct?

Mr. NEAL. Oh, yes, definitely.

Senator PERCY. And the company faced the responsibility of trying to determine what it could do about its \$150 million?

Mr. NEAL. \$165 million invested, yes.

Senator PERCY. It recognized, and it is made clear through the testi-

mony here that the company was aware of the fact, that roughly some \$90-plus million of this would be covered by insurance.

Mr. NEAL. Right, sir.

Senator PERCY. But that insurance would cost the insurers something, as is reflected in rates and so forth. And, obviously, the company would rather keep its investment than to have to invoke that particular provision in order to get back at least part of it.

#### PROPRIETY OF ACTING THROUGH GOVERNMENT CHANNELS TO STOP ALLENDE ELECTION

As a former State Department employee, do you consider it improper for an American company to make representations to the American Government at the highest levels in order to do something about the fact that this American company is about to lose or could lose its investment if the Presidential candidate pledged to nationalize is elected; to take whatever action could be appropriately taken through Government channels to stop his election.

Do you consider that improper?

Mr. NEAL. I do not consider that improper. In fact, Senator, I think we would have been remiss in this case and in all cases not to keep the Government informed. This is a company policy.

Senator CHURCH. Mr. Neal, Senator, may I interrupt because I am not sure Mr. Neal understood the way you phrased the question. I want to be sure that you are in contact here. As I heard Senator Percy's question, he was asking you about the company's urging the Government to take any action that could appropriately be taken to stop the election. I think that was the way you phrased the question.

Will you please read the question again because I want you to be sure you understand the question before you stand on that answer.

Mr. NEAL. Thank you.

Senator PERCY. I will rephrase the question and save the reporter doing it if I can phrase it exactly the same way.

Did you feel that there was anything wrong in the company, an American company, going to its own Government and pointing out the danger that the company was about to lose, or the possibility existed of its losing, a very large asset owned by American stockholders, and asking that whatever action could be taken would be taken in order to prevent this loss?

Do you consider that improper by the company?

Mr. NEAL. Not by any means, Senator Percy. As I said a while ago, I believe we would have been remiss if we had not done this. This is a standard practice in the U.S. Government.

#### U.S. GOVERNMENT INTERFERENCE IN OTHER COUNTRIES' DOMESTIC POLITICAL SITUATIONS

Senator PERCY. From your knowledge of standard practices in the U.S. Government, is it standard practice for the U.S. Government, is it standard practice for the U.S. Government to occasionally interfere in the domestic political situations of other countries?

Mr. NEAL. That is not a standard practice.

Senator PERCY. Do you from your own personal knowledge know that?

Mr. NEAL. That is not a standard practice of the U.S. Government.

Senator PERCY. It is not.

Mr. NEAL. To interfere with the internal affairs of other countries, no.

Senator PERCY. You felt in this case the circumstances warranted the U.S. Government interfering?

Mr. NEAL. No, not interfering, Senator.

#### PURPOSE OF TELEPHONE CALLS AND REPRESENTATIONS

Senator PERCY. What then were you trying to get the U.S. Government to do in all these telephone calls and representations?

Mr. NEAL. Our purpose was to inform Dr. Allende that he should be responsible to his international obligations; that the right of expropriation is well recognized by the U.S. Government, but if there is expropriation then Chile should make just and immediate compensation for the expropriated property. This is what we were after.

#### WITNESS' FEELING AS TO WHETHER ACTION SHOULD BE TAKEN

Senator PERCY. Were you convinced as a result of these contacts that they did not intend to take action? When you contacted Assistant Secretary Meyer, he said that he was watching the situation as closely as possible, and awaiting the October 24 date when the Chilean Congress would decide the winner, and he said this a Chilean problem. And Mr. Mitchell said that he understood Mr. Geneen's concern over it. But at no place in your memorandum does it appear that they said anything to give you the impression they really intended to take action.

Did you have the feeling that though they were watching the situation they really were not going to take official U.S. Government action?

Mr. NEAL. I did not have that feeling. When you pass on information or you make representations to your government it does not have to tell you what it is doing or what it is going to do. I think you have to feel that you have presented your case and if there is anything the government can do for you, it will.

#### CONCERN THAT ACTION WOULD BE TAKEN THROUGH U.S. GOVERNMENT

Senator PERCY. Were you concerned that whatever action would be taken by the company would be taken through the U.S. Government, so that you would not invoke the particular clause of the insurance agreement which would make you ineligible for compensation?

Mr. NEAL. Absolutely.

Senator PERCY. If you had taken improper action?

Mr. NEAL. Absolutely. We were trying to work through the government, and I believe that in most of the memorandums we also said the United States should work in concert with other governments, if necessary; the Organization of American States or any other countries which had holdings in Chile.

## WHAT UP TO A MILLION DOLLARS WOULD BE SPENT ON

Senator PERCY. I do want to clarify what this figure of up to \$1 million would be spent on, to the best of your own knowledge. Since it would be illegal in this country for a corporation to spend company money on a Federal political campaign or election, do you know whether such a law exists in Chile?

Mr. NEAL. I do not know.

Senator PERCY. Would you wish to state categorically that the figure of up to \$1 million was not intended for political activity as such?

Mr. NEAL. I would be happy to, yes, I do.

Senator PERCY. And it is your understanding that it was to be part of some sort of an investment or development fund?

Mr. NEAL. Right, this is what I said in several cases, Senator.

Senator PERCY. And you would expect it to be matched by government funds or funds of other companies that may see likewise?

Mr. NEAL. Other companies which wanted to do so.

## HAS ITT DONE ANYTHING ILLEGAL?

Senator PERCY. Do you consider that anything ITT has done is illegal?

Mr. NEAL. Not one thing, Senator, no, sir. Everything so far as I am concerned is open and above board. We did what we should have, we had the obligations to do it and I think we carried it out.

I think Senator, as someone stated, we had done everything we could.

## DID ITT TAKE TOO STRONG A STAND?

Senator PERCY. Because there will not be too many witnesses who have both a corporate responsibility and a background of governmental responsibility in the State Department, do you feel that the company may have taken too strong a stand or played too leading a role in this particular matter?

Mr. NEAL. No, I do not, Senator, no.

## WAS ACTION TAKEN COMMENSURATE WITH THREATENED INVESTMENT?

Senator PERCY. Do you think the action that was taken was commensurate with the large investment, the imminent threat to which was apparent to anyone?

Mr. NEAL. Right.

Senator PERCY. Because it was publicly proclaimed that this action would follow as a consequence of the election?

Mr. NEAL. Yes, absolutely.

Senator PERCY. Is there anything else you want to add?

Mr. NEAL. No. Thank you, sir.

## DATE OF CHILEAN GOVERNMENT'S INTERVENTION IN CHILTELCO

Mr. BLUM. Mr. Neal, so the record is perfectly clear, what was the date of the Chilean Government intervention in the Chiltelco operation?

Mr. NEAL. September 29, 1971.

## DATE OF WITNESS' WEEKEND OF CONTACTS

Mr. BLUM. And the date of your weekend of contacts at the State Department and elsewhere?

Mr. NEAL. September 11, I believe it is.

Mr. BLUM. September 1970, a year before anything in fact happened in Chile, is that correct.

## WHAT "UP TO SEVEN FIGURES" WAS FOR

You mentioned, too, that the money was for a development program. Don't you—are you aware—

Mr. NEAL. I don't believe I said it was a development program.

Mr. BLUM. I thought that was your answer to Senator Percy.

Mr. NEAL. I said any program which the U.S. Government might formulate in concert with U.S. private—

Senator CHURCH. There is a vote on the Senate floor. Hold your sentence at that point, please, Mr. Neal, and we will be back.

[Short recess.]

Senator CHURCH. The hearing will please come to order. Mr. Neal, we caught you in midsentence when we left. If we come back to Mr. Blum, he can pick up the threads.

Mr. BLUM. I was asking was it up to seven figures for a development program, and I would like a "Yes" or "No" answer.

Mr. NEAL. The answer is "No," according to my previous testimony, and I think twice here. And I would be happy to repeat it.

Mr. BLUM. It was not for a development plan?

Mr. NEAL. It was not for development purposes necessarily. I didn't say that.

Senator CHURCH. Mr. Neal, I wonder if you would answer these questions. I think they can be answered "Yes" or "No."

## PROPRIETY OF FINANCING PLAN TO CREATE CHILEAN ECONOMIC CHAOS

Based upon your experience in the State Department and your knowledge of foreign policy generally, do you think it would be correct or proper for an American-owned company either to attempt to induce the American Government or to assist in financing a plan by the American Government that had as its purpose causing economic chaos in Chile immediately prior to the popular elections there?

Mr. NEAL. It is a long question.

Senator CHURCH. Let me repeat the question.

Mr. NEAL. I think our—the report this morning on the Peterson letter, the 18 points—

Mr. SCHAFER. I think the chairman is talking about before the election, and this is, Mr. Chairman—

Senator CHURCH. Mr. Neal, I am not at this point arguing with you what it was that ITT had in mind when it offered up to seven figures.

Mr. NEAL. Yes.

Senator CHURCH. I am asking in general, apart from the ITT case.

Mr. NEAL. Yes, sir.

Senator CHURCH. Based upon your experience in the Foreign Service, do you think it would be proper for an American company to offer up to seven figures to help finance a plan of the American Government

the purpose of which would be to create economic chaos in a foreign country prior to an election?

Mr. NEAL. It would be wrong.

Senator CHURCH. It would be wrong.

Would it also be wrong—

Mr. NEAL. All right, I think maybe you would have to qualify it under circumstances, I don't know.

Senator CHURCH. Do you think the circumstances in Chile with which you are familiar would have made it right?

Mr. NEAL. With our history of interventions and the like since the Monroe Doctrine, I expect there have been instances when such have taken place, and you in the Foreign Relations Committee know better than I.

Senator CHURCH. My question was whether you thought it would be proper for an American-owned company to offer the Government of the United States up to seven figures to help finance a plan, the object of which was to create economic chaos prior to an election in a foreign land, and your answer was that would be wrong.

Mr. NEAL. It would be wrong, yes. I think back in our history there have been some instances of—

Senator CHURCH. The fact there have been some instances wouldn't make it right, would it?

Mr. NEAL. No.

Senator CHURCH. So your answer is you think that would be wrong.

Mr. NEAL. Yes, that is correct.

Senator CHURCH. Do you think that it would be proper to finance such a plan with such an objective for a period between the time of the popular election and the time that the Congress installed the President in Chile? During that period of time would it have been a proper or improper thing to do?

Mr. NEAL. The same answer.

#### WRONGNESS OF FINANCING PLAN TO PROMOTE MILITARY COUP D'ETAT

Senator CHURCH. The same answer, wrong.

It follows also, does it not, that it would be equally wrong for an American-owned company to offer to finance or to help finance, plan by the American Government the purpose of which was to promote a military coup d'etat in a foreign land to thwart the results of an election.

Mr. NEAL. Same thing.

Senator CHURCH. Obviously it would be wrong in your judgment.

#### PRESSURE POINTS CONCERNING PRESIDENT ALLENDE

Mr. LEVINSON. Mr. Neal, when we met with you originally, you told us that while riding in from the airport with Mr. Geneen he had asked you what might be done and you had suggested a number of these 18 points to him and that subsequently after the luncheon Mr. Peterson had asked that whatever suggestions the company had be submitted in writing to Mr. Peterson or Mr. Hague or both, for that matter. That is right, isn't it?

Mr. NEAL. Yes.

Mr. LEVINSON. OK.

In developing these points you had also indicated to us that you said, and this is a best recollection of our notes, that you prepared a memo on the vulnerability of President Allende to pressure and you had discussed the pressure points with the best people on the Chile desk at the Department of State. Was that with John Fisher who was then on the Chile desk?

Mr. NEAL. I do not believe I said I discussed the pressure points. I don't think I said that, Mr. Levinson. I did not discuss any pressure points with him. In my Korry memorandum, I stated Ambassador Korry outlined several pressure points.

Mr. LEVINSON. This is October 1971. We are not dealing with Mr. Korry at this point—or 1970.

Mr. NEAL. Yes. Well, the Peterson letter, I believe was around October 1, 1971, was it not?

Mr. LEVINSON. 1971, that is correct and Mr. Korry is not—

Mr. NEAL. I do not remember the date of my conversation with Ambassador Korry. Yes, that was October 15, 1970.

Mr. LEVINSON. That is right. It was a year earlier.

You also, as far as I can recollect, complained that the pressure points that were listed in the memo were the stock in trade pressure points to which any experienced diplomat would call attention.

Mr. NEAL. Yes, I am sorry, but I cannot take any great credit for a lot of these points. They are stock in trade operational procedures.

Mr. LEVINSON. Operational procedures— If the objective is to prevent, as you state in your memorandum, Allende from getting through the next crucial 6 months, this would be a standard operating procedure which you have outlined as an experienced diplomat.

Mr. NEAL. I thank you for those kind words. I believe you ought to go back before the 18 points and go into some of the background. I believe that those events should be read into the record just like the 18 points were this morning.

Mr. LEVINSON. The entire letter and the attachments will be put in the record so that the whole thing can be seen in context. I have no more questions, Mr. Chairman. [See Appendix III, p. 943.]

#### EVENTS LEADING UP TO 18 POINTS

Mr. NEAL. Senator Church, I believe the events leading up to the 18 points were really very damaging to the Chilean situation, that is, to Dr. Allende and his tactics. I mean the things he had done to our company in Chile; from his harassment to us; his closing off our bank accounts; going into our telephone company; confiscating our records and locking out our officials; going so far as to jail Benny Holmes, our manager and entering his house in the early morning and waking up his wife and all his family. The Chilean people are very high-type people. Mr. Benny Holmes' name might indicate he is an American, but he is not. You know the history of Chile as well as I do; lots of European background there. He is a 100 percent Chilean; his wife and family are, too. Of all of our employees and officials in Chile, we did not have an American in the group. All of our directors were Chilean except maybe one sitting in New York. The whole board consisted of very high-type Chilean gentlemen—

Senator CHURCH. Mr. Neal, let me make it clear.

Mr. NEAL. Yes.



## PURPOSE OF INQUIRY

Senator CHURCH. All of those facts will be entered into the record. Our purpose here is not to justify in any way the action taken by the Allende regime. I have no brief for Mr. Allende's dealings.

Mr. NEAL. I just thought—

Senator CHURCH. The purpose of this inquiry is to determine the role that ITT may have played improperly or wrongfully in interfering with the orderly international political process of a democratic country that had attempted to elect a president in a peaceful, legal way.

Mr. NEAL. Yes.

Senator CHURCH. And how far an American-owned company should go in protecting its own property interests.

Mr. NEAL. Yes.

Senator CHURCH. And whether the ITT went too far in conducting itself in ways that you yourself have described as improper, although you have not admitted that ITT did conduct itself in that way. That is something we have to determine on the basis of all of the testimony.

Mr. NEAL. Yes; I believe your statement was outside the present ITT matter in Chile.

Senator CHURCH. That is right.

Mr. NEAL. So I am not comparing what you and I agree about because U.S. history shows that our record is not very good on this, as you know.

Senator CHURCH. If the evidence, taken in its totality, were to show that the ITT undertook either to persuade our Government or to offer to finance a plan by our Government that constitutes by its nature a direct interference with the orderly political processes of a democratic country in order to protect its property interests there—

Mr. NEAL. Yes.

Senator CHURCH. Then I think this is something that bears directly upon the regularity of conduct of American-owned companies abroad, and is a matter of central concern to this committee.

It also would bear upon the question of the liability of OPIC in the claim that ITT has made against it for compensation. These are legitimate inquiries and they directly relate to the American foreign policy in Chile and its impact elsewhere in Latin America.

Mr. NEAL. Mr. Chairman, something that you said made me think that you feel that something ITT has done in Chile was improper, that they have not complied with their community obligations and all. I was in the Foreign Service a long time and I know these big companies are much more conscious of their community responsibilities than local concerns.

Senator CHURCH. We will have to wait for all the testimony before drawing any conclusions on that point.

## INTENT OF ITT CONCERNING 18 POINTS

Mr. NEAL. Before you mentioned this, I was going through some of the events about our Chilean manager, Mr. Holmes. They also jailed some five other officials there. But let us go on down to page 4 of the Paterson letter to the paragraph titled "Action Suggested." I believe this is a key sentence, Senator. It reads, "Besides curtailing the above-mentioned sources of aid to Chile, we believe the U.S. Gov-

ernment should take every action which will bring President Allende's regime to the realization that his Marxist methods are incompatible with international practices, and inform him that he is to be held responsible for action against U.S. private enterprise." This to me is the key to the whole thing. This was our intent in this operation. We were trying to protect our interests and as I was just replying to Senator Percy's question, I think we did everything we could here in Washington to try to keep the U.S. Government informed of our position so that it could take every possible action to make Dr. Allende comply with his international obligations. I think the facts now speak for themselves as to what has happened. My 18 points were rather useless because I do not have to tell the World Bank what to do, or the IADB, or the United States private banks, or the foreign banks: the Dutch or the Germans.

Senator CHURCH. When you made those points you made them seriously and you made them with the intent and in the hope that the Government would follow them, did you not?

Mr. NEAL. The Government would what?

Senator CHURCH. The Government would follow those 18 points of action.

Mr. NEAL. If they could, yes.

Senator CHURCH. Yes.

Mr. NEAL. Senator Percy was asking a while ago whether I went away from the weekend activities feeling I had done a good job and that the Government was going to do something. I could not tell. However, we had an obligation not only to ourselves, but also we had an obligation to the Chilean people; they are great democrats. We have put a lot of money in Chile. We had an obligation to our company people; we have been in Chile since 1892. We have sons and grandsons working for the company. I think we had an obligation to the hemisphere to not have another Cuba in Chile; I believe we had an obligation to the OAS, the Organization of American States, because once we have a sore spot in our hemisphere like Cuba, and another one seems to be coming on in Chile, this divides the hemisphere, as you on the Foreign Relations Committee know. I think lastly, but not least, maybe you say this is monetary, but I think we had a responsibility to our shareholders. ITT has many shareholders; it is a large company, and I think we had a responsibility to show the shareholders of ITT we were trying to do everything possible to protect our \$165 million in Chile.

#### APPROPRIATENESS AND WISDOM OF ITT'S ROLE IN INTERNATIONAL POLITICS

Senator PERCY. Mr. Chairman, I have two additional questions. I would like your judgment, Mr. Neal, taking into account the statement made by Mr. Merriam in his memorandum of October 22, 1970, to which we referred before. He said, "All of us went over in great detail possible repercussions in Chile if and when it became known that we are pushing the State Department along certain lines."

In retrospect, it was public knowledge what ITT was doing, before this subcommittee was created.

Mr. NEAL. Yes.

Senator PERCY. In fact, it was one of the reasons for its creation and we want the public to be aware of that. Do you feel in retrospect now

that it was appropriate and wise for the company to play as prominent a role in international power politics as it actually did? Do you think there has been damage to the company as a result of this?

Mr. NEAL. By no means. I do not believe our image has been damaged. Senator Percy. I think you may win some and lose others. But I feel that with responsible governments we have lost nothing. I was with the U.S. Government a long time; I have seen extensive international operations, and I know what my company does abroad. When ITT invests in a country it lives with that country, assists it in all ways. I think our record in Chile is just terrific. I hope somebody brings it out in these hearings.

Senator PERCY. Mr. Merriam went on to say:

I personally feel we do not have much to lose one way or the other unless, of course, our so-called pressures come back to haunt us in other Latin American countries, this I also doubt.

Have there been repercussions in other Latin American countries?

Mr. NEAL. No, not specifically.

Senator PERCY. The actions of ITT are not suspect in other countries now? Do other countries understand the situation that existed in Chile?

Mr. NEAL. The other countries understand. There were news items, Senator. I know one from an Argentine paper saying the main trouble in Latin America is that what has happened in Chile snowballs. The same is true with expropriations in other countries which I do not need to mention here to avoid bringing them into the discussion. The Argentinians say this gives other countries the idea they can get away with expropriating companies.

#### IS CHILEAN EXPERIENCE UNUSUAL FOR ITT?

Senator PERCY. In view of your position as international relations specialist for ITT's Washington office, you have knowledge of the company's activities in other countries—

Mr. NEAL. Practically all over the world.

Senator PERCY. Is the Chilean experience unusual? Did the company get much more involved in internal affairs there than it ever has before, to your knowledge?

Mr. NEAL. Senator, we did not get involved in internal affairs there. This is all Chile. Most of the things you see here are Chilean operations. They are not ours but information coming from Chile. The information mentioned this morning, this is all Chile. The Chileans are great politicians: so naturally there is a lot of political operations going on there, but we do not, this company does not get mixed up with it.

Senator PERCY. Let me put it another way. Is it an atypical situation where you get as concerned and as deeply involved in what goes on in a country and in its internal politics?

Mr. NEAL. Senator, I believe in this instance Dr. Allende's preelection threats to us were far greater than we have ever had. They do not do that in most places. Maybe Castro in Cuba did, but outside of that I do not know of any place where we have had this type of treatment.

#### ACTIONS OF OTHER COMPANIES WITH INVESTMENTS IN CHILE

Senator PERCY. The company had meetings with other companies that had identical concerns. Was ITT the largest investor or were there

other investors that had an even larger stake that was endangered by these threats?

Mr. NEAL. I believe the mining companies investments in Chile were far greater than ours.

Senator PERCY. And—

Mr. NEAL. That would be my guess; possibly two of the mining companies. We were probably the third largest investor.

Senator PERCY [continuing]. Did other companies engage in activities, to your knowledge, that also were aimed at influencing our Government to take an active role in preventing this sequence of events that you forecast?

Mr. NEAL. Yes. I believe the memorandums on record here this morning show that some of the companies which met with the ad hoc committee had already gone to high places in the U.S. Government and were keeping the State Department informed. This is natural.

Senator PERCY. Have you already testified as to who those companies are?

Mr. NEAL. I believe there was one mentioned this morning of Kennecott; maybe Anaconda. It is in the record.

Senator PERCY. Were you disappointed that they did not take a more active role or become more deeply concerned—as concerned as you were?

Mr. NEAL. No, Senator.

Senator PERCY. Or did they become as active and were they as concerned as you were?

Mr. NEAL. I think they did. They went to every place they could. I am sure. Some of the companies are continuing their activity.

I think I saw in the paper today or recently an article about trying to stop copper shipments to Italy at this time. I believe they tried to stop shipments into France, Germany, Holland, and so on of copper from Chile which these mining companies feel belongs to them because they have not been paid for it.

Senator PERCY. Are you saying that ITT was not playing a lead role, but that it played a role along with other companies that were just as active and just as involved in trying to bring about some policy that would prevent this course of action from taking place?

Mr. NEAL. Right; we were trying to bring realization to Dr. Allende and I think that still goes. According to the papers, Chilean officials are up here this week with a team trying to roll over Chile's debt, get more money, and so forth.

Senator PERCY. I have no further questions, Mr. Chairman.

Senator CHURCH. Senator Muskie.

Senator MUSKIE. Yes.

Mr. Neal?

Mr. NEAL. Yes, Senator.

#### MEMORANDUM ENTITLED, "CHILE—A QUESTIONABLE U.S. POLICY"

Senator MUSKIE. Focusing your attention on the period between the popular election and the congressional election, and referring back to the chairman's question about what is a proper role for a company in the position of ITT, considering its stake in the results of that election, and its concern about the result of that election, I refer you

to the memorandum from you to Mr. Merriam, dated September 30, 1970, entitled, "Chile—A Questionable U.S. Policy."

Mr. NEAL. Yes; I wrote that.

Senator MUSKIE. In the early part of that memorandum you undertake to recite the record of U.S. loans and grants to Chile.

Mr. NEAL. Yes, sir.

Senator MUSKIE. And you describe that record in these terms. I refer to the second page of the memorandum, the third paragraph, which reads as follows:

The foregoing means the U.S. realized the danger of Marxism in Chile; so fought it with grants and loans, but did not have the extra forethought to follow its intuition by taking a more active part during the pre-election period to assure the defeat of Allende.

Then in the last paragraph of that memo you say this:

Why should the U.S. try to be so pious and sanctimonious in September and October of 1970 when over the past few years it has been pouring the taxpayers' money into Chile, admittedly to defeat Marxism? Why can't the fight be continued now that the battle is in the home stretch and the enemy is more clearly identifiable?

That language clearly indicates, it seems to me, your view that disrupting the economy in Chile in order to influence the election, or any other political or economic activity from outsiders including the United States, is a proper thing to do. I mean, is that a correct interpretation?

Mr. NEAL. Let me take you back to the third paragraph that you just quoted to me, "The foregoing means the United States realized the danger of Marxism in Chile; so fought it with grants and loans." They were doing this, Senator. There were hearings in Congress in 1968 and 1969 and the testimony given at that time said \$136,400,000 of the U.S. taxpayers' money had been poured into Chile. The people who testified from the State Department and from AID said the purpose of this money was to uphold democracy in Chile. This was, I was just, I just reviewed this. I thought the memo was quite good.

Senator MUSKIE. I think that is quite fair, but I am asking you if you see no distinction between that kind of activity, the aim of which is to strengthen the economy of Chile—

Mr. NEAL. It did not say that.

Senator MUSKIE. May I finish my question?

Mr. NEAL. Yes.

Senator MUSKIE. Do you see any distinction between that policy, the aim of which is to strengthen the economy of Chile and stabilize the political situation of a democratic government, and what you imply in the remainder of that sentence, which is taking steps during the pre-election period to assure the defeat of Allende?

#### MEANING OF LANGUAGE IN MEMO QUESTIONING U.S. POLICY

This morning we discussed a number of memoranda which suggested, and I am not dissuaded that the suggestion is in error at this point, that ITT was aware of, perhaps a collaborator in, efforts to disrupt the internal economy in Chile in the period prior to the congressional election for the purpose of insuring the defeat of Allende. So what I am asking is, what you meant by the language "a more active part during the preelection period to assure the defeat of

Allende," what you meant by such expressions as, "Why should the U.S. try to be so pious and sanctimonious," and what you meant by the final question, "Why can't the fight be continued now that the battle is in the homestretch and the enemy is more clearly identifiable?"

Mr. NEAL. I thought it sounded very good, Senator.

Senator MUSKIE. Do you see—you have not answered the question. What did you mean?

Mr. NEAL. I am talking about Government policy: U.S. Government policy. They came here to Congress and the testimony showed that what they were doing was—tried to, I think at one statement—

Senator MUSKIE. What was it that you were—

Mr. NEAL. I am just saying—

#### COURSE OF ACTION PROPOSED BETWEEN POPULAR AND CONGRESSIONAL ELECTIONS

Senator MUSKIE. What were you proposing the Government should do in the period between the popular election and the Congressional election which you describe in such eloquent and dramatic language? What was it that you did not think we ought to be so sanctimonious about? What course of action were you referring to that you thought we ought not to be so sanctimonious about in that period?

Mr. NEAL. Just exactly what some of the 18 points stated: cut off aid; cut down the pipelines. Ambassador Korry tried to do this; I think some of the things like that; that is all.

Senator MUSKIE. So you were advocating efforts designed to disrupt the internal economy?

Mr. NEAL. Not at all, Senator, I did not say that.

Senator MUSKIE. What would be the effect?

Senator CHURCH. What other result could your recommendations have had, had they been implemented by the Government, except to disrupt the economy?

Mr. NEAL. No; it was not that, Senator. My thoughts were to keep the Chilean people on the democratic side just like the U.S. Government had testified to Congress. That is why we were throwing the \$1,136,400,000 into Chile in 8 years.

Senator CHURCH. But, Mr. Neal, during that period there was a duly elected government.

Mr. NEAL. Yes, Dr. Frei—

Senator CHURCH. That we happened to favor, the Frei regime.

Mr. NEAL. That is right.

#### — EIGHTEEN POINTS AS CONSISTENT CONTINUATION OF U.S. POLICY QUESTIONED

Senator CHURCH. And the purpose of that aid program was to promote economic growth and development and stability in Chile. But it became a very different picture after the elections had resulted in Allende's victory and the plan then was clearly to continue the fight in the homestretch when the enemy was more clearly identifiable. The fight consisted of 18 points that you recommended yourself to the Government. You cannot read those 18 points and put them together and come out with any conclusion but what they were designed to

promote economic chaos in Chile. I do not see how you can relate the two and say they are all one consistent policy and a continuation of what the Government had already been doing in 8 years under the Frei regime. They are contradictory. The two policies are utterly contradictory.

Mr. NEAL. I do not think so.

Senator MUSKIE. The point is you see no distinction.

Mr. NEAL. I believe the United States had the policy of trying to, and the testimony here said it was to, continue democracy in Chile. It did not say anything about development, but the main point was the democracy part. I felt the United States should keep along that line now that it knew there was a great chance. During the hearings in 1968 and 1969, I think Ambassador Korry was rather farsighted: at that time, he said, "You are going to have to look out for the Presidential election of 1970 because of the electoral alliance of the extreme left—the Communists and the socialists."

#### DISTINCTION BETWEEN MR. ALLENDE AND MR. CASTRO

Senator CHURCH. Mr. Neal, democracy, as I understand the term, is the right of the people to determine their government by vote, isn't it?

Mr. NEAL. Well, a large amount of aid went into Chile on the democratic side.

Senator CHURCH. A vote had been taken, had it not? Allende had won the plurality of that vote, had he not? Do you see any distinction between Mr. Allende and Mr. Castro? You mentioned the two. Do you see any distinction between Castro and Allende?

Mr. NEAL. I would merely see a distinction with a difference, that is probably all at this date.

Senator CHURCH. You disregard the fact that Allende was elected by popular vote in a regular election and Mr. Castro took over by force of arms. Isn't that a very big distinction, if you are interested in democracy?

Mr. NEAL. I think we can go back into history and have some other points come up on that Castro business, Senator.

Senator CHURCH. Isn't it true that Castro came to control by virtue of force of arms in a revolution against the existing government, and didn't Allende take power as a result of election?

Mr. NEAL. Was there any—

Senator CHURCH. Just answer the question.

Mr. NEAL. Was there any intervention at that time, Senator?

Senator CHURCH. The question of intervention is not at issue here. We are not examining the Cuban case.

Mr. NEAL. Yes.

Senator CHURCH. We are examining the difference between a man who assumes office as a result of an election in a democratic way and a man who gains office as a result of an insurrection. You say that does not make much difference. I thought we fought a war during this very period to give the people of South Vietnam the right to determine through elections what kind of government they would have. Haven't we just fought a war of 10 years and lost 55,000 sons and 300,000 maimed and wounded and spent \$150 billion for the right of self-determination in South Vietnam?

Mr. NEAL. I haven't said anything to the contrary on that. My only thought is I go back to the action point that ITT believes the U.S. Government should take every action to bring President Allende's regime to the realization that his Marxist methods are incompatible with international practices if he tried to expropriate foreign properties without just exception. That is the key to my feelings.

Senator CHURCH. If the principle of self-determination is a proper one in South Vietnam, isn't it also a proper one in Chile?

Mr. NEAL. I would say yes.

Senator CHURCH. You would say yes.

Senator MUSKIE. Is that the sanctimonious expressing of those sentiments?

Mr. NEAL. Pious is the proper expression.

Senator MUSKIE. I think the language in your memos is more communicative.

Mr. NEAL. Thank you.

Senator MUSKIE. Than some of the answers.

Senator CHURCH. Thank you very much.

#### IS ITT STILL TRYING TO INFLUENCE UNITED STATES-CHILEAN POLICY?

Senator PERCY. Mr. Chairman, just to update our point of reference, is ITT still trying to influence U.S. policy toward Chile?

Mr. NEAL. No.

Senator PERCY. You have ceased and desisted?

Mr. NEAL. No point.

Senator PERCY. No channels are now being used to try to influence American policy toward Chile?

Mr. NEAL. Dr. Allende has expropriated our company and we have no quarrel with him now.

Senator PERCY. Do you know if the ad hoc committee on Chile is still meeting?

Mr. NEAL. The ad hoc committee? No. It is not.

Senator PERCY. It is not meeting?

Mr. NEAL. It is not, no.

Senator PERCY. Thank you very much.

Mr. NEAL. Thank you.

Senator CHURCH. Thank you very much.

#### PREMIUMS PAID ON OPIC INSURANCE

Mr. SCHAFER. Mr. Chairman, you asked us to get the information on the premiums paid on the OPIC insurance.

Senator CHURCH. Yes.

Mr. SCHAFER. I have that information.

Senator CHURCH. Good. Could you give it to us now?

Mr. SCHAFER. Since 1965 the company has paid \$6,041,836 in premiums for insurance on Chile investments. Of that figure \$5,822,000 is for insurance on the Chile company investment. It should be noted, of course, they are still paying at the rate of a million dollars a year. ITT is still paying at the rate of a million dollars a year, and it should be noted, of course, that ITT has other properties in Chile that have not been expropriated: two hotels, a telephone equipment factory, and an international telegraph company.



## ITT CLAIM AGAINST OPIC

Senator CHURCH. What is the size of the claim that ITT is requesting against OPIC?

—Mr. SCHAFER. I think it is \$93 million.

Mr. LEVINSON. \$92.5 million according to OPIC.

Senator CHURCH. Thank you very much for your testimony.

## SWEARING IN OF WITNESS

Our next witness is Mr. Bernard Goodrich. Mr. Goodrich, will you raise your right hand, please?

Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GOODRICH. Yes.

Senator CHURCH. Thank you.

Mr. Blum will commence the questions.

## WITNESS' NAME AND ADDRESS

Mr. BLUM. Mr. Goodrich, for the record would you state your full name and address?

**TESTIMONY OF BERNARD A. GOODRICH, MANAGER OF PRESS RELATIONS, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. GOODRICH**

Mr. GOODRICH. Bernard A. Goodrich, 5008 Cathedral Avenue NW., Washington, D.C.

## WITNESS' WORK AND SUPERIORS AT ITT

Mr. BLUM. Do you now work for ITT's Washington office?

Mr. GOODRICH. Yes.

Mr. BLUM. How long have you been with ITT?

Mr. GOODRICH. Just over 5 years.

Mr. BLUM. What is your present job?

Mr. GOODRICH. Deputy director of news services.

Mr. BLUM. What does it entail?

Mr. GOODRICH. It entails basically working with the press, answering their inquiries that they direct to the Washington office, and distributing any news that we have.

Mr. BLUM. What was your job in August and September of 1970?

Mr. GOODRICH. Basically the same.

Mr. BLUM. Who was your immediate superior at that time?

Mr. GOODRICH. John Horner.

Mr. BLUM. And whom did he report to?

Mr. GOODRICH. William Merriam.

Mr. BLUM. The head of the Washington office at that time?

Mr. GOODRICH. Yes.

Mr. BLUM. Was Mr. Ryan one of your superiors as deputy head?

Mr. GOODRICH. Yes, as deputy director.

## WITNESSES VISIT TO USIA

Mr. BLUM. Mr. Goodrich, would you please turn to the memorandum from you to Mr. Merriam dated September 13, 1970, about a visit to the U.S. Information Service.

When did the issue of distributing El Mercurio's editorials first arise?

When was it first brought to your attention?

Mr. GOODRICH. I would assume it was just prior to that date.

Mr. BLUM. Would it have been at a staff meeting?

Mr. GOODRICH. Quite possibly.

Mr. BLUM. Would that staff meeting possibly have been discussing the cable that had been received from Mr. Hendrix and Mr. Berrellez on the 17th?

Mr. GOODRICH. I couldn't be sure of that, Mr. Blum, Our staff meetings were a general briefing on what people in the office were doing. I couldn't—

Mr. BLUM. I ask that because that cable specifically says that USIS is not circulating anything in Chile and suggests that something be done to change that and I wondered if you were acting in response to that recommendation.

Mr. GOODRICH. I know of such a cable now. I am not certain I did at the time.

Mr. BLUM. But it is possible that you were acting on the basis of that recommendation?

Mr. GOODRICH. Yes; quite possibly.

Mr. BLUM. At the staff meeting was it clear to you that wide distribution of Mercurio editorials would help the company?

Mr. GOODRICH. Yes.

Mr. BLUM. Would you explain how the company would be helped?

Mr. GOODRICH. No; I was just asked if I would go over and do it.

Mr. BLUM. Were you aware that the Chilean Congress was preparing to elect the country's president?

Mr. GOODRICH. Yes.

Mr. BLUM. Had you ever visited the USIS on a similar mission?

Mr. GOODRICH. Never.

Mr. BLUM. How did you get the names of Mr. Amerson and Mr. Canning?

Mr. GOODRICH. My recollection is I looked them up in the State Department telephone directory.

Mr. BLUM. Were you instructed to ask Amerson and Canning whether there was anything ITT, as a private company, could do which the Government could not do?

Mr. GOODRICH. Not to my recollection specifically.

Mr. BLUM. But the memo does say that you—

Mr. GOODRICH. Yes.

Mr. BLUM. [continuing]. You asked them that.

Why did you ask them that?

Mr. GOODRICH. Just to find out if there was anything we could do. I knew that USIS has certain limitations on what I can do by law, and wanted to know whether there was anything that ITT could be doing mostly involved in the circulation of these editorials.

Mr. BLUM. That would go beyond what USIS is legally empowered to do?

Mr. GOODRICH. Yes.

## USIA'S RESPONSE TO ITT'S SUPPORT FOR MERCURIO

Mr. BLUM. What did they tell you about ITT's support for Mercurio. Were they pleased that you were putting money into Mercurio when you told them that?

Mr. GOODRICH. More that they—no; I don't believe they said they were pleased we were putting money in. I had suggested to them that this was one of the possibilities that we might do.

Mr. BLUM. Don't say, "We are increasing advertising"? Isn't that in your text of your memorandum?

## REASONS FOR WITNESS' VISIT TO USIA

Mr. LEVINSON. Perhaps it would help if I read the operative paragraphs of this memorandum so that everyone will be working from the same reference point. This is your memorandum of September 23, 1970, and you state:

I told them that I was there for three basic reasons. First, to let them know what we were doing in terms of supporting Mercurio's shaky financial situation; to urge them to circulate widely the Mercurio editorials throughout Latin America, if they were not already doing so; and to ask them if there is anything they can see that we can do as a private company which may not be possible for government to do. On the latter point they stressed that nothing overt should be done that could be interpreted as U.S. intervention. I assured them that our people were well experienced in that field.

Now, the essence of it is that you went to Mercurio or you went to USIS to get the Mercurio editorials around.

## POLITICAL POSITION OF EL MERCURIO

Did you know that the Mercurio paper was opposed to the Allende candidacy?

Mr. GOODRICH. I had never seen a Mercurio editorial myself.

Mr. LEVINSON. No, but you were told that Mercurio was not a paper that favored Allende. That is the reason the company wanted the editorials of the paper circulated. Isn't that it?

Mr. GOODRICH. I would have assumed that would have been a paper that would have, the editorials would have, been something to back our claim against outright expropriation without compensation.

Mr. LEVINSON. But there was no claim at that point.

Mr. GOODRICH. Not claim, sir, we had been led to believe that that plant would be expropriated. I didn't mean to infer or to bring in the OPIC claim.

Mr. LEVINSON. You had seen the Berrellez-Hendrix cable of September 17, had you not?

Mr. GOODRICH. I don't believe so, sir.

Mr. LEVINSON. Let me read you the operative paragraph: "Bring what pressure we can on USIS in Washington to instruct the Santiago USIS to start moving Mercurio editorials around Latin America and into Europe. Up until I left they were under orders not to move anything out of Chile."

It is perfectly clear, isn't it. As he himself says in this cable: "The Mercurio chain is hitting at Allende and the Communist party with effect."

So there is not any doubt what the political position of El Mercurio was, is there? They were opposed to Allende.

Mr. GOODRICH. I had not seen this cable at that time, sir. I was just asked to go over and ask the USIS to do it. I had not seen either this cable or any editorial.

#### SUPPORT FOR MERCURIO'S FINANCIAL SITUATION

Senator CHURCH. You say in your memorandum to Mr. Merriam, "I told them that I was there for three basic reasons: First to let them know what we were doing in terms of supporting Mercurio's shaky financial situation . . ." What were you doing to support Mercurio's shaky financial situation?

Mr. GOODRICH. I had been told we were considering an advertising program, Chiltelco advertising program.

#### URGING USIA TO CIRCULATE MERCURIO EDITORIALS

Senator CHURCH. Then you said "to urge them to circulate widely the Mercurio editorials throughout Latin America," and you did that?

Mr. GOODRICH. Yes, sir.

#### ASKING USIA WHAT ITT COULD DO AS PRIVATE COMPANY

Senator CHURCH. Third:

To ask them if there is anything they can see that we can do as a private company which may not be possible for government to do. On the latter point they stressed that nothing overt should be done that could be interpreted as U.S. intervention. I assured them that our people were well experienced in that field.

Did he mean that your people were well-experienced in covert action?

Mr. GOODRICH. No, that our people would not do anything that would indicate an intervention.

Senator CHURCH. That was overt?

Mr. GOODRICH. Yes.

Mr. BLUM. What was your response beyond or was there a response beyond the question of nothing overt should be done that could be interpreted as intervention.

Did you go any further?

Mr. GOODRICH. No, sir; and, I must say, that is my language. I would not mean to imply that is Mr. Amerson's language. That was my memo.

#### POSSIBLE INTERPRETATION OF DISTRIBUTING MERCURIO EDITORIALS

Mr. BLUM. Did it occur to you that the distribution of Mercurio editorials in a critical preelection period, editorials which were weighted to one candidate might in itself be interpreted as intervention?

Mr. GOODRICH. I had not seen the editorials, sir, so I could not respond.

#### SUPPORT OF MERCURIO'S FINANCIAL SITUATION

Mr. LEVINSON. Even if you had not seen the Berrellez-Hendrix cable, were you informed at that staff meeting that Berrellez and

Hendrix had said in this cable "we and other U.S. firms in Chile pump some advertising into Mercurio" and that that had been started?

Mr. GOODRICH. No, I was not aware of it. I knew that there was talk about it, but I really was not aware of anything that was going on in those terms.

Mr. LEVINSON. But the language of your memorandum states that you informed them what you were doing to help in supporting Mercurio's shaky financial situation and Hendrix and Berrellez state that ITT had already started pumping financial aid, advertising into Mercurio.

Is that what you told Amerson and Canning, "that we have started pumping advertising into Mercurio to support their shaky financial situation"?

Is that what you meant when you said what you were doing in terms of supporting their shaky financial situation?

Mr. GOODRICH. I really was not well versed in the subject and if I told them we were I misspoke because I later learned we were not.

MR. MERRIAM'S SEPTEMBER 23, 1970, MEMORANDUM TO MR. SCHMIDT

Mr. BLUM. If I may, if you will turn to the memorandum from Mr. Merriam to Mr. Schmidt dated September 23, I believe it is, 1970. Would you identify for the record Mr. Schmidt?

Mr. GOODRICH. Mr. Schmidt is a member of Washington office staff.

Mr. BLUM. I will read the memorandum; it is very brief:

In a conversation with Ned this morning, he feels it's about time to move on getting someone to do something about Chile on the floor of the House and/or Senate.

The attached clippings, together with an editorial from the Washington Post of yesterday, and Ralph Dungan's stupid piece this morning of the Post, would serve as background.

I suggest you get together with Bernie Goodrich to decide what can be prepared.

Did you get together with Mr. Schmidt?

Mr. GOODRICH. Not to my recollection.

Mr. BLUM. You never then did do anything to get something moving on the floor of the House or Senate?

Mr. GOODRICH. No, sir.

Mr. LEVINSON. Ned refers to Mr. Gerrity, isn't that so?

Mr. GOODRICH. Yes, sir.

AUGUST 7, 1970, MEETING BETWEEN MESSRS. MERRIAM, GENEEN, COLSON, AND EHRLICHMAN

Mr. BLUM. On the basis of documents we have received or extracts of documents we have received covering the period of early August 1970, it appears there was a meeting between Mr. Merriam, Mr. Geneen, Mr. Colson and Mr. Ehrlichman. That was on August 7. As a result of the meeting, Mr. Gerrity sent a memo to Mr. Ryan with instructions for the Washington office staff. The reference to that is in the documents which were released by the House Commerce Committee.

The memo instructs you and three of your colleagues to acquaint key people with what happened the previous days, Thursday and Friday.

What happened the previous day, Thursday and Friday?

Mr. GOODRICH. I was asked that very question by a reporter last night and I had no recollection then and I still have no recollection.

Mr. BLUM. Were you told at all whether the subject of ITT holdings in Latin America had been raised?

Mr. GOODRICH. No, I did not know of such a meeting, sir.

Mr. BLUM. Then the instructions to Mr. Ryan were never carried out?

Mr. GOODRICH. I don't know the subject so whether it came to me by a subject matter without telling me that there was a meeting I don't know, but I was not aware of such a meeting at the White House.

Mr. BLUM. Do you recall being instructed to tell something to certain key people at that time?

Mr. GOODRICH. No, sir. I cannot recall what that specific might be.

Mr. BLUM. Do you have any idea who the Ray or Bert were, who were supposed to do something with Jack and Bernie?

Mr. GOODRICH. There is a Ray and Bert in our office.

Mr. BLUM. Who are they?

Mr. GOODRICH. Ray O'Brien and Bert Willis.

Mr. BLUM. And what are their functions?

Mr. GOODRICH. They are in the public affairs area.

Mr. BLUM. Did you talk to Bill McPeak about the meetings? There is a reference there to contact being made with Mr. McPeak. Were you the one who made the contact?

Mr. GOODRICH. I don't believe so, sir.

Mr. BLUM. What was Mr. McPeak's function?

Mr. GOODRICH. Mr. McPike, I believe that is supposed to be a Mr. McPike.

Mr. BLUM. McPike, excuse me.

Mr. GOODRICH. Was an outside legal counsel.

Mr. BLUM. You don't know what action the key people were to be prepared for?

Mr. GOODRICH. It means nothing to me, sir.

Mr. BLUM. We have, of course, requested those underlying documents so we possibly would want to talk to you again when recollections are refreshed. I have no further questions.

Senator CHURCH. Senator Muskie.

I think, it being a quarter of 5, that we won't ask another witness to testify this afternoon. We will be very much obliged if the documents that we have requested could be readily supplied to the committee. Mr. Guilfoyle, whom we have not been able to get to this afternoon, will be heard as our first witness Thursday morning.

Thank you very much, gentlemen.

The hearing is adjourned until 10 o'clock tomorrow morning.

[Whereupon, at 4:45 p.m., the subcommittee adjourned to reconvene at 10 a.m., Wednesday, March 21, 1973.]

# THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

WEDNESDAY, MARCH 21, 1973

UNITED STATES SENATE.  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS.  
*Washington, D.C.*

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church (chairman), presiding.

Present: Senators Church, Fulbright, Symington, Muskie, Case, and Percy.

Also present: Mr. Levinson and Mr. Blum, of the subcommittee staff.

Senator CHURCH. The hearing will please come to order.

Our first witness this morning is Mr. John A. McCone, a director of the ITT, formerly the Director of the CIA.

Mr. McCone, would you please stand, sir, and be sworn?

Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. McCONE. I do.

Senator CHURCH. Thank you. Please be seated.

I understand, Mr. McCone, that you have no prepared statement. You are ready at this time to respond to questions.

## TESTIMONY OF JOHN-A. McCONE, DIRECTOR, ITT

Mr. McCONE. That is correct, Mr. Chairman; I do not have a prepared statement.

Senator CHURCH. Very well.

Mr. Levinson, will you begin the questioning, please?

## PREELECTION MEETING WITH HELMS

Mr. LEVINSON. Mr. McCone, in 1970, did you have occasion to discuss the Chilean presidential elections with Mr. Helms, then Director of the Central Intelligence Agency?

Mr. McCONE. Yes, I did.

Mr. LEVINSON. Was there more than one conversation?

Mr. McCONE. Yes, there were several.

Mr. LEVINSON. Where did these conversations take place?

Mr. McCONE. At least two of them took place in his office at Langley. Further conversations took place in my home in San Marino when he

and Mrs. Helms visited Mrs. McCone and me. You realize Mr. Helms is a close personal friend.

Mr. LEVINSON. Yes. And you were a consultant to the Agency at that time as well, were you not?

Mr. McCONE. Yes, I have been a consultant to the Agency since I left the Agency in 1965.

Mr. LEVINSON. Now in the course of these conversations, did you evidence your concern over the outcome of the Chilean election to Mr. Helms?

Mr. McCONE. Yes; I did. The purpose of my discussions with Mr. Helms was to reflect to him and, through him, to the policymakers of the Government the views of the foreign people in ITT concerning the probable outcome of the 1970 elections. It was our opinion, and this had been discussed in a board meeting of ITT in May or in June—and I am inclined to believe it was in June—it was our opinion that Allende was going to win the election, and since he was campaigning on the basis of expropriating American business interests of every kind—including the ITT properties—I felt that our Government should be alerted to the consequences of the election, not only because of its effect on the business interests, but also because of its effect on the taxpayer. Because there were, as you know, several hundred million dollars of OPIC guarantees, of which approximately \$100 million were ITT's.

Therefore, it seemed to me that the prospect of Mr. Allende becoming President and carrying out his policies would have a very serious effect on this country as well as the business interests involved.

#### IDENTITY OF INTEREST THROUGH OPIC

Senator CHURCH. Mr. McCone, do you mean that the fact that OPIC, in part a federally financed insurance agency, had insured the ITT properties against expropriation created an identity of interests between the ITT and the U.S. Government, or at least created a close common interest?

Mr. McCONE. No; I do not think it necessarily created an identity of interest. The point I was making was that if the policies of Mr. Allende were carried out, both parties would suffer.

Senator CHURCH. And both parties would suffer by virtue of the fact that the OPIC had guaranteed or had insured ITT against expropriation?

Mr. McCONE. Well, not only ITT—

Senator CHURCH. But other American companies as well?

Mr. McCONE. The copper companies and various other business interests—

Senator CHURCH. Yes.

Mr. McCONE [continuing]. That had OPIC guarantees.

Senator CHURCH. Would it be fair to say that if there had been no OPIC guarantees, the interest of the U.S. Government would have been less obvious and less direct?

Mr. McCONE. Well, that is a difficult question to answer. It would be speculation. I think the U.S. Government through the years has always been concerned when the rights of its citizens—and corporations are citizens—are jeopardized by actions elsewhere, irrespective of guarantees.



Senator CHURCH. But without an insurance guarantee, the U.S. Government would not be liable to pay out large sums of money for properties expropriated?

Mr. McCONE. That is correct.

Senator CHURCH. That is correct, is it not?

Mr. McCONE. The purpose of the OPIC guarantees, the insurance policy, which was originated by the Government many years ago, was to encourage investments of the type that corporations made in various parts of the world, and most particularly in Latin America.

Senator CHURCH. Mr. McCONE, I am told it is a little bit difficult to hear you in the room. Could you pull the microphone a little closer to you?

Mr. McCONE. Certainly.

Senator CHURCH. Thank you. Very well, Mr. Levinson.

Mr. LEVINSON. Mr. McCONE, did you also discuss with Mr. Helms the advisability of U.S. Government action to insure that Mr. Allende would not become President of Chile?

#### SOUNDING OUT U.S. GOVERNMENT ATTITUDE

Mr. McCONE. What I asked Mr. Helms is whether the Government had or intended to do anything that might affect the election, that might encourage the support of one of the candidates who stood for the principles that are basic in this country.

Mr. LEVINSON. Which candidate was that, Mr. McCONE?

Mr. McCONE. What did you say?

Mr. LEVINSON. Which candidate was it that you had in mind?

Mr. McCONE. I had no particular candidate in mind. There were two, Mr. Tomic of the Christian Democratic Party and Mr. Alessandri, who formerly had been in the Christian Democratic Party but had split off and formed a somewhat more conservative party.

Mr. Helms told me that the matter had been considered by an inter-departmental committee on which there were senior representatives of the White House, State and Defense Departments, as well as the Director of Central Intelligence, and that a decision had been reached that nothing should be done.

Senator CHURCH. When did Mr. Helms tell you that? Can you tell me the approximate date when Mr. Helms told you that?

Mr. McCONE. That was either in late May or early June.

Senator CHURCH. Approximately 3 months before the popular elections took place?

Mr. McCONE. That is right.

Mr. LEVINSON. Did he advise you, Mr. McCONE, that nothing of consequence would be done?

Mr. McCONE. That is correct.

#### MINIMAL CIA EFFORT AUTHORIZED

Mr. LEVINSON. Did he advise you that some minimal effort was authorized that could be handled by the Central Intelligence Agency within the limitations of the budget so that no special appropriation or request for funds was necessary?

BEST COPY AVAILABLE

Mr. McCONE. Yes, he advised me that some minimal effort could be managed within the flexibility of their own budget that would be engaged.

Mr. LEVINSON. Did Mr. Helms also advise you that it was his personal opinion that Mr. Alessandri could not win the election and that Allende would probably be elected?

Mr. McCONE. That is correct. He said that he felt that because of the division between the two parties and because of Mr. Alessandri's age, that there were no prospects of his being elected. He was very pessimistic on the outcome. He thought Mr. Allende would win the election. That was his personal view.

#### SUGGESTION OF FURTHER ITT-CIA CONTACT

Mr. LEVINSON. Mr. McCONE, did you suggest to Mr. Helms that a member of his staff contact Mr. Geneen so that the company's view could be factored into the decisionmaking process?

Mr. McCONE. I can only answer that question by saying it is very probable that I did so. It would be a very natural thing for me to do, having transmitted in a brief meeting the views of the staff of ITT, it was very probable that I suggested that one of his staff, familiar with the situation in Latin America, make contact with Mr. Geneen. I think it is very fair to assume that I did that, yes.

#### BROE TO SEE GENEEN

Mr. LEVINSON. Did Mr. Helms agree to send a member of his staff to see Mr. Geneen?

Mr. McCONE. I am not sure that he agreed, but he did so, so he must have agreed.

Mr. LEVINSON. This was the meeting that took place on July 16, between Mr. Broe and Mr. Geneen?

Mr. McCONE. I do not have knowledge as to the exact date, but it appears that it took place sometime in July.

Senator CHURCH. To the best of your knowledge then, Mr. McCONE, Mr. Helms' response to your conversation was to arrange for Mr. Broe to meet with Mr. Geneen?

Mr. McCONE. That is correct.

Let me say that the name Broe was unfamiliar to me and I do not think it was mentioned. Someone at the staff level.

Senator CHURCH. Someone—and that person turned out to be Mr. Broe?

Mr. McCONE. Apparently turned out to be Mr. Broe, yes.

Mr. LEVINSON. Did you advise Mr. Geneen, as a result of your conversation with Mr. Helms, that U.S. Government policy was to not do anything of consequence?

Mr. McCONE. Yes.

Mr. LEVINSON. What was Mr. Geneen's reaction?

Mr. McCONE. Disappointed.

#### GENEEN OFFER OF ELECTION FUND

Mr. LEVINSON. Did Mr. Geneen inform you that it was his intention when he met with a member of Mr. Helm's staff to offer to as-

semble an election fund for Mr. Alessandri and to suggest that this fund be channeled and controlled through the Central Intelligence Agency?

Mr. McCONE. No, sir; he did not.

Mr. LEVINSON. Did he discuss any type of financial assistance that he intended to offer?

Mr. McCONE. None whatsoever.

Senator SYMINGTON. If counsel will yield, as I get it, you knew nothing of any kind about any financial offer that ITT made to the Central Intelligence Agency or anybody else to offer to this Government, is that correct?

Mr. McCONE. We are speaking now of the period prior to the election?

Senator SYMINGTON. That is right.

Mr. McCONE. I knew of no such offer.

Senator SYMINGTON. Thank you.

Mr. McCONE. And, indeed, I would like to say for the record, if Mr. Geneen had made any suggestion to me that ITT or other corporations offer money to CIA for use in political purposes, I would have said CIA under no circumstances would consider such an offer, and I would advise against that.

Senator SYMINGTON. I would like to pursue this a little more.

Did you ever meet Mr. Broe?

Mr. McCONE. No.

Senator SYMINGTON. You had no discussion with him about any money involved with ITT or any discussion with Mr. Geneen about the suggestion of money from ITT to Mr. Broe?

Mr. McCONE. No; I had no information on that at all.

Senator SYMINGTON. Thank you.

#### CIA POLICY ON PRIVATE OFFERS OF MONEY

Senator CHURCH. I wonder, Mr. McCONE, if you feel free to say at this time what the policy of the CIA had been during the period of your directorship in connection with offers made to it by private companies to lend financial support to programs that the CIA was undertaking.

Can you enlighten us on that question?

Mr. McCONE. I have no hesitation in stating that through my tenure, and as Director of the Central Intelligence, and so far as I know the policy since I left was to refuse any such support and, furthermore, to advise the corporations who were making such suggestions that they should not pursue such a course as doing so would ultimately be to their disadvantage in the host country.

Senator CHURCH. It would work against them in the host country?

Mr. McCONE. That is correct.

Senator CHURCH. Had Mr. Geneen said to you that he planned to offer up to seven figures in support of a government plan designed to thwart Allende, you would have advised against it?

Mr. McCONE. This is—now to be precise, Mr. Chairman, we are talking now about the period of July.

Senator CHURCH. Yes.

Mr. McCONE. Before the election?

Senator CHURCH. Yes.

Mr. McCONE. We are talking about channeling money for political purposes through CIA?

Senator CHURCH. Yes.

Mr. McCONE. That I would have advised against.

Senator CHURCH. Very well. We will get into the period following the election.

Mr. McCONE. That is correct.

I want to differentiate between those two.

Senator CHURCH. Yes.

Senator MUSKIE. Mr. Chairman, may I ask a question?

Senator CHURCH. Yes, Senator Muskie.

#### PAST OFFERS OF MONEY TO CIA

Senator MUSKIE. Mr. McCONE, you have described CIA policy when you were Director. Did you, in fact, receive offers from companies during that period to give support to programs of the CIA?

Mr. McCONE. Yes, sir.

Senator MUSKIE. Were they frequent?

Mr. McCONE. No, they were infrequent, but they occurred from time to time.

Senator MUSKIE. Would it be helpful at this point, Mr. Chairman, to get into those situations at this time?

Senator CHURCH. I think that for purposes of continuity we might move through the ITT story. If you then want to go back to this aspect, Senator, please feel free to do so.

Senator MUSKIE. All right.

#### POST-ELECTION PERIOD

Mr. LEVINSON. Mr. McCONE, I believe you informed us that during the summer you went away on vacation. When was the next conversation you had with Mr. Geneen with respect to the Chilean elections?

Mr. McCONE. It was in September, at a time after the election, at the time of our board meeting. It may be that I had a telephone conversation with him prior to my leaving Seattle to go to Alaska in August, but the first meeting I had with him was in the 9th or 10th of September at the time of our September board meeting.

Senator CHURCH. You knew then the results of the popular election in Chile?

Mr. McCONE. That is correct.

Senator CHURCH. And Dr. Allende had received a plurality of the vote in what had been a very close election between three candidates?

Mr. McCONE. It was surprisingly close; divided the votes about one-third, one-third, and one-third, Allende getting a few more votes than the other two.

Senator CHURCH. Yes.

Mr. McCONE. As I recall.

Senator CHURCH. Were you aware that it had been customary in Chile for the candidate who received the largest popular vote to be installed by the Congress as President?

Mr. McCONE. No, I was not aware of that. The only election in Chile that I directed any attention to was in 1964 when Mr. Frei received

some 55 or 58 percent of the vote; Mr. Allende, the minority, but then there were only two parties, the Christian Democratic Party and the coalition of the Marxist parties supporting Mr. Allende.

Senator CHURCH. At the time that this telephone conversation with Mr. Geneen took place, immediately following the popular election, you were not aware of what the customary practice had been in a case of this kind in Chile?

Mr. McCONE. I am not aware of it to this day.

Senator CHURCH. I see.

Mr. McCONE. I would have to examine that, Mr. Chairman, because, as you know, it is not unusual, in situations where there are multi-parties, for the party receiving the largest number of votes is not necessarily seated as the President or the Prime Minister, because a coalition of the opposition will form.

#### CIA ACTION IN 1964 ELECTION

Senator CHURCH. Can you tell us whether the CIA took any action to assist in Frei's election in 1964?

Mr. McCONE. I did not hear the question.

Senator CHURCH. Can you tell us whether the CIA in the earlier election in Chile in 1964 had taken any action to assist the candidacy of Mr. Frei?

Mr. McCONE. The whole U.S. Government was very interested in that election. The details of it are rather obscure in my mind and unless I went into the record, it would be best not to comment.

Senator CHURCH. Do you remember whether the CIA participated in the general U.S. Government policy to support Frei at that time?

Mr. McCONE. The CIA at that time and ever since has followed the policies established by an interdepartmental committee that reports directly to the President, chaired by the Director of the National Security Council, and with senior representation from State, Defense and CIA, and there were no actions taken of any kind by CIA during my tenure of office and, to my knowledge, since that were not reviewed and approved by that committee.

Senator CHURCH. In other words, based on your experience with the CIA and what you know of it since, there has never been a time when CIA policy was inconsistent with that of the Government itself?

Mr. McCONE. Quite to the contrary, the CIA policy and actions have been to implement policy of the U.S. Government.

Senator CHURCH. Thank you.

Senator SYMINGTON. Could I ask a question?

Senator CHURCH. Yes.

#### CIA UNDER PRESIDENTIAL DIRECTION

Senator SYMINGTON. Actually, the Central Intelligence Agency is an agency which, in effect, reports to the National Security Council and inasmuch as the National Security Council is an advisory council to the President, the Director of the Central Intelligence Agency actually reports to the President, does he not?

Mr. McCONE. That is correct.

Senator SYMINGTON. So if the Central Intelligence Agency did anything considered wrong, say, by the Congress, it would always

have justification by stating that it only operated, to the best of your knowledge, under the direction of the President?

Mr. McCONE. That is true, Senator Symington, but, as you know, I also carried on a very close liaison with a special committee that, during my tenure, was chaired by Senator Russell and I know of no instance where the policy of the President was inconsistent with the policy and desires of that committee of the Senate.

Senator SYMINGTON. I accept that, but it would not change my statement, would it, that you were under the direct control of the President of the United States.

The head of the Federal Bureau of Investigation reports to the Attorney General, but you did not report to anybody except the President, did you?

Mr. McCONE. That is correct.

#### STATE DEPARTMENT AND CONGRESSIONAL OVERSIGHT OF CIA

Senator SYMINGTON. It appeared to me some 15 years ago when I went on the CIA Subcommittee thanks to Senator Russell who chaired as you referred to, there went out the so-called Kennedy letter, by which any man in the field reported to our Ambassador. I remember one time an ambassador protested and you promptly removed the Central Intelligence Agency man when I so reported to you.

We have a dichotomy, a split in responsibility, with the man in the field reporting to the ambassador, but under the National Defense Act of 1947, the Central Intelligence Agency reports to the Armed Services Committee. I believe I had something to do with persuading the Chairman of the Armed Services Committee to invite members of the Foreign Relations Committee to sit in on the CIA Subcommittee hearings, because I found that in the Foreign Relations Committee, which I joined later, its members were often operating on the basis of facts not in accordance with those given by the CIA because they did not have the information the Agency presented to the Subcommittee.

Did you ever see anything wrong in having members of the Foreign Relations Committee sit in on CIA Subcommittee briefings.

Mr. McCONE. Well, let me comment on your statement in several regards.

Senator SYMINGTON. I am talking only from an organization standpoint.

Mr. McCONE. I know.

Senator SYMINGTON. And I do not know of anybody who has had more experience in organization than you.

Mr. McCONE. The representatives of CIA, as a result of action taken by President Kennedy, did not report and take orders from the ambassador, but they coordinated their actions with the ambassador and kept him fully informed. That was done very carefully and religiously throughout my term of office and it has been carried on since.

Senator SYMINGTON. In my opinion, your understanding is not correct, but that is aside from the point.

Mr. McCONE. Well, it existed when I was there.

Senator SYMINGTON. All right.

Mr. McCONE. Because I saw to it that it did. The reason I paid a great deal of attention to it was because, if you will recall, prior to

my coming into office there was quite a schism between CIA and the State Department over this very point, and I made trips to several countries where the ambassadors were disturbed just to straighten this particular subject out.

Now, with respect to the second part of your question, Senator Symington, I myself, at the time of my confirmation, made a personal recommendation to Senator Russell that two senior men from the Foreign Relations Committee sit on that committee; indeed the two that I suggested were Senator Fulbright and Senator Hickenlooper, who happened to be senior representative of the minority party at that time, and I not only discussed that once with Senator Russell, I discussed it several times, because I was conscious of exactly the point that you are making.

Senator SYMINGTON. Thank you for making that record. I think it is very important.

Senator CHURCH. Thank you, Senator.

#### McCONE TELEPHONE CONVERSATION WITH GENEEN

Mr. Levinson, will you continue now with the questions? We were discussing your telephone conversation, Mr. McCone, with Mr. Geneen, following the popular election in Chile in September 1971.

Mr. LEVINSON. I think perhaps it might be useful to clarify the sequence.

As I understand it before the popular election, while you were in Seattle, before you went to Alaska, you had a telephone conversation with Mr. Geneen. Is that correct?

Mr. McCONE. That is my recollection.

Mr. LEVINSON. All right.

Can you tell us what was the content of that telephone conversation?

Mr. McCONE. This was in August that you are referring to?

Mr. LEVINSON. Yes.

Mr. McCONE. I cannot specifically recall except to confirm my feeling about the consequences of the election. In this regard Mr. Geneen and I had no difference of opinion. I do not think there was anything of substance in that conversation that I recall.

Mr. LEVINSON. At that point Mr. Geneen mentioned to you an idea of raising a substantial sum of money to be used in some way in connection with a U.S. Government plan concerning the Chilean political situation?

Mr. McCONE. Not prior to the election, no, sir.

Mr. LEVINSON. A meeting of ITT's board of directors took place around September 8 or 9, that is, after the Chilean popular election. Is that correct?

Mr. McCONE. As I recall.

Mr. LEVINSON. Yes.

At that time, did you have a conversation with Mr. Geneen about the political situation in Chile?

Mr. McCONE. Yes.

#### GENEEN PREPARED TO PUT UP \$1 MILLION

Mr. LEVINSON. Did Mr. Geneen at that time advise you that he considered the situation in Chile so serious that he was prepared to con-

tribute a substantial sum of money if a way could be found to save the situation?

Mr. McCONE. What he told me at that time was that he was prepared to put as much as a million dollars in support of any plan that was adopted by the government for the purpose of bringing about a coalition of the opposition to Allende so that when confirmation was up, which was some months later, this coalition would be united and deprive Allende of his position.

Now, I would like to emphasize that this occurred after the election, and that it was not in support of any government plan. It was not a plan generated by ITT or in Mr. Geneen's mind. He said that this idea had been transmitted to Mr. Kissinger's office, and he asked if I would support it, and I did.

#### M'CONE INFORMS HELMS, KISSINGER OF \$1 MILLION OFFER

I came to Washington a few days later and I met with Mr. Helms and I told him of this availability of these funds and I also met with Mr. Kissinger and I told him, if he had a plan—now, Mr. Kissinger thanked me very much and said that I would hear from him. I did not hear from him again and, therefore, I assumed that no such plan was adopted as a matter of national policy and that was the end of it so far as I was concerned.

Senator CHURCH. Mr. Geneen told you that he was prepared to offer up to \$1 million of company funds to support a Government plan, the purpose of which would be to assist or promote a coalition against Allende. Such a coalition would have been a coalition of votes in the Chilean Congress?

Mr. McCONE. I could not hear you, sir.

Senator CHURCH. The coalition you referred to would have been a coalition of parties or of votes in the Chilean Congress that had to pass upon whether or not Allende would be installed as President. Is that not correct?

Mr. McCONE. Yes; it would be a coalition of the senators or the prominent members representing the Christian Party and the party of Mr. Alessandri.

Senator CHURCH. Yes.

Mr. McCONE. Both parties stood to one degree or another for the principles that are inherent in our own Government.

Senator CHURCH. At that time, following the popular election, but before the congressional decision, you approved of Mr. Geneen's proposal to offer up to \$1 million of company funds to help finance a plan of this character, if the U.S. Government formulated it?

Mr. McCONE. That is correct.

Senator CHURCH. Go ahead, Mr. Levinson.

#### FURTHER CONVERSATIONS WITH GENEEN

Mr. LEVINSON. Mr. McCone, did you have any further conversation with Mr. Geneen about the Chilean political situation, after this September meeting?

Mr. McCONE. Yes; I had some discussions between the discussion which the chairman referred to and maybe late October, I have for-



gotten the exact date, when the Parliament acted on Mr. Allende's confirmation.

Mr. LEVINSON. The congressional election was to take place on October 24, 1970.

#### EXPLORING ALTERNATIVES OF WHAT MIGHT BE DONE

Mr. McCONE. I was given a number of memorandums, and I think you reviewed the file which I brought with me on last Friday. I will not try to go into the detail, but what was happening in those 2 months was a number of people were trying to explore the alternatives of what might be done. The Chileans were discussing, I am told the Chilean military were discussing it, the so-called Alessandri plan evolved, the CIA, Mr. Broe, had a shopping list, and the staff of CIA had a shopping list. Sometime in October I discussed this with Mr. Geneen, and told him, and in telling him I think I was just concurring in his judgment, that I thought that the plans were totally impractical because it seemed to me that the philosophy of the Christian Democratic Party and the party of Alessandri was so diverse that it was inconceivable that a coalition as envisaged in the Alessandri plan could take place, and this is just about what happened.

#### PLAN TO CREATE ECONOMIC CHAOS

Mr. LEVINSON. Among the ideas that were being kicked around between the CIA and various company officials was one of the plans that he mentioned to you—the creation of economic chaos in Chile?

Mr. McCONE. I do not know that the words "economic chaos" are correct. There were various suggestions of economic disturbances that might show the consequences of seating Allende.

Now, Mr. Geneen felt, and I concurred, that ITT must not participate in any such actions for the reasons that we had serious responsibilities to the people of Chile. We were operating their telephone company, their communications system and, irrespective of what happened, we had to be good citizens, and we had to keep that facility operating, and we therefore could not engage in any actions that might interfere with our responsibility. This was why, as a matter of policy, Mr. Geneen summarily rejected any such ideas that came up from the staff.

Now, I understand that various ideas were generated at the staff levels of the Central Intelligence Agency. They never were approved by Mr. Helms, never were submitted to this interdepartmental group and, therefore, were not policy. This must be clearly understood, that this is differentiation between staff thinking and policy determination.

#### NO EFFECTIVE ACTION U.S. GOVERNMENT WILLING TO TAKE

Senator CHURCH. In October, as the time approached for the Chilean Congress to make its decision, and as these shopping lists that you mentioned were review, did you come to the conclusion that there was no action that the U.S. Government was willing to take that could effectively deny Mr. Allende the presidency?

Was that your conclusion, your assessment of the situation as the time approached?

Mr. McCONE. Yes; and for reasons that I have just mentioned.

Senator CHURCH. Yes.

Mr. McCONE. Indeed, as I recall it, sometime in that period Mr. Alessandri himself saw the futility of the whole thing and withdrew, releasing his own delegates.

Senator SYMINGTON. If the Chair would yield, I would ask a question.

#### PURPOSE OF MILLION DOLLAR FUND

You say it was \$1 million later on offered by ITT. You also say that you did not want to create economic chaos, which I, of course, accept if you say it. You say neither did Mr. Geneen, so I think, for the record, you ought to give some details, especially in that you discussed it with Mr. Geneen, as to what the \$1 million was for.

Mr. McCONE. Well, what he had in his mind was not chaos. What he had in mind was what could be done constructively and channeled in such a way as to encourage the people who were in support of the institutions that were inherent in this country as opposed to the Marxist philosophy of Allende. What are they?

Housing for one; technical assistance, assistance in agriculture, which is so badly needed in Chile, and I can go over a long shopping list.

This is not an unfamiliar role for the United States. If you go back to World War II, the Truman doctrine in Greece and Turkey was designed to support the political institutions that were somewhat consistent with our own as opposed to the Communists. The Marshall Plan, indeed, had as its foundation the same idea. The Berlin airlift which James Forrestal so courageously carried out was part of it. The action of President Eisenhower in Lebanon and in Guatemala, these were all part of a situation that this country confronted where international communism had publicly, the spokesman for international communism had publicly, time and time again, said it was their objective to destroy the free world, they were going to do it politically, economically and, if necessary, militarily, and that was what this country and its policymakers were trying to offset. And they did very successfully, and I think that what Mr. Geneen was speaking of, and what certainly I was thinking of, was just that kind of action: not thinking of creating turmoil in a country. I was thinking of the constructive thing.

Senator CASE. Would the senator yield for a question?

Senator CHURCH. Yes, Senator Case.

Senator CASE. There were only 6 weeks to go before the congressional election. How would housing have had any valuable effect on the congressional elections?

Mr. McCONE. The announcement of support and of a plan. After all, housing is one of the real needs of the country.

Senator CASE. I know that is true and I think it is a fine idea. The suggestion has been made now that some more practical and immediate thoughts were in mind and perhaps discussed. Were they thought just to get it out in the air, such as bribing the legislature?

Mr. McCONE. I did not hear it.

Senator CASE. Bribing the legislature, was that discussed?

Mr. McCONE. There was no such discussion about it.

Senator CASE. Mr. Geneen said nothing about it?

Mr. McCONE. Not at all.

Senator CASE. And therefore you did not discuss that with Dr. Kissinger?

Mr. McCONE. Not at all.

Senator CASE. Nothing of that sort?

Mr. McCONE. Nothing of that sort was discussed with me by Mr. Geneen nor were any such thoughts discussed in any discussion with Mr. Helms or anyone else in Government.

Senator CASE. How about legitimate party expenses?

Mr. McCONE. Well, they had passed that because the election was over.

Senator CASE. Well, no, but would it be over; I am just trying to find out, because the long-range Marshall Plan idea was fine but, in the first place, a million dollars is not much.

In the second place, the Government could do all of this without ITT's rather small help, and had been doing it. I am not quite sure I understand what this million dollars was supposed to do, trigger our Government into taking more of that same kind of action, or just what was it?

Mr. McCONE. Well, I tried to describe what it was.

#### CONTRADICTORY VERSIONS OF FUND USE

Senator CASE. I know you have. I just want to be sure this is a comprehensible thing.

Mr. McCONE. I cannot add to the statement I made on it because at no time were there any suggestions made of using these funds surreptitiously or covertly. If that had been the case, the proposal which, as you know, was conveyed to Mr. Kissinger on the telephone in a perfectly open way, and then confirmed in a memorandum which landed in the hands of Jack Anderson, was not anything covert about it. It was an absolutely open proposal.

Senator CHURCH. Mr. McCONE, Senator, I do not mean to interrupt. But you previously testified that the million dollars that Mr. Geneen offered was for the purpose of helping to form a coalition in the Congress against Allende.

Mr. McCONE. That is correct.

Senator CHURCH. That is correct, is it not?

The documents that we have—including a lengthy series of recommendations that ITT presented to the Government—all relate to cutting off aid, cutting off trade, cutting off credit. There is no mention in any of these documents of a program to build houses or anything of that kind. The whole thrust of the documentation is in the direction of creating economic chaos or encouraging a military coup d'etat, or supporting editorial positions inside Chile that were opposed to Allende. I am puzzled as to why, if the million dollars were to be used for this kind of open and constructive purpose, the documents do not reveal it.

Mr. McCONE. What was the date of the documents, Senator Church? I am not familiar with them.

Mr. SCHAFER. I think the record should show, Mr. Chairman, that the 18-point document was written a year after the period of time after which, the time Mr. McCONE has been testifying about.

Senator CHURCH. We have documents as late as October 23, 1970, that are consistent with the same pattern, which is all destructive in character. Yet there is no mention in any of these documents at any time, of a constructive program to stimulate housing or to do other things of that nature.

Mr. McCONE. Let's put this into context, Senator Church.

The subject we have been discussing, the million dollars was in the period between September 4 and October 24 or whatever it was, and then Allende took office, and then there was—the only hope at that time was to do what could be done to have him moderate his policies, to mitigate his determined effort to establish Chile, to establish Chile as a Marxist state. So I think what these 18 points have to do with is a later period.

Senator SYMINGTON. Mr. Chairman, I brought this up. You say you and the head of this company felt the same way about that money. I have been in the Senate many years and have never seen a more thorough job of analysis of papers as done by the staff of the subcommittee. You cannot destroy all papers probably because of Xerox. I was hoping you would not underwrite the position of the corporation as your own, similar to your own, because I do not think the documents justify saying the million dollars was proposed in an effort to improve the working conditions of the people of Chile and so forth and so on.

I would think that from what I have read of the documents there were other plans involved, and the purpose of my question was to say I am sure you have told us exactly what you felt, but that I hope you did not embrace the organization as saying that they agreed with you on that matter because I do not think that the record would justify that statement.

#### PLANS AS OPPOSED TO POLICIES

Mr. McCONE. Let me say at the start there are a great many unfortunate things that happened in connection with ITT's activity in Washington. I knew nothing about them; very little about them was known by the board of directors, and, when the whole thing surfaced, very radical changes were made in the organization, and I think that some of the things that have happened are most regrettable and will not recur.

Now, I have said, and I would like to repeat, that some of these papers were generated between September 4 and October 24, some of which were submitted to me, and I have turned them over to Mr. Levinson so he will see just what was in my file, and they do not represent policy because, as I have said, right down to the final decision of the people who make the decisions it was decided that these various plans—and they had bubbled up from various sources—would be ineffective for the reasons I have mentioned.

So I think that we must differentiate very precisely between the policies of the corporation or the policies of an agency of the Government as finally decided by the final authority and the staff thinking. That is what you have staffs for, is to think up the alternatives, and then that is why you have bosses to make the decisions as to what to do.

Mr. SCHAFER. May I say, Senator Symington, that your attention has not been called to document numbered 80 in volume 1, which does—

Senator SYMINGTON. Mr. Schafer, will you identify yourself?

Mr. SCHAFER. I am sorry, sir. I am John Schafer and I represent the corporation.

I just wanted to call your attention to the fact that there is a document dated September 30, 1970, which does reflect a flat rejection by the corporation. Mr. Geneen, as to the proposals you were alluding to a moment ago that simply has not come out yet in this hearing.

#### UNWORKABILITY OF PROPOSALS

Senator CHURCH. Mr. McCone, as I understood your testimony, the various plans being considered by the company and by the CIA during this critical period between the popular election and the decision of the Congress were rejected, in your words, because they were thought to be ineffective; they were rejected because it was decided that they would not work. Is that not true?

Mr. McCONE. That is true so far as ITT is concerned. You would have to have the spokesman of the Agency to comment on that.

Senator CHURCH. But so far as ITT is concerned, the plans were rejected because they were thought to be unworkable. Is that not true?

Mr. McCONE. That is true, and Mr. Alessandri himself recognized it was futile and that is why he withdrew.

Senator MUSKIE. Mr. McCone, it is not clear to me whether you discussed these staff recommendations with Mr. Geneen. Did he ask for your opinion on these suggestions that bubbled up from the staff level?

Mr. McCONE. No; not specifically, Senator Muskie. It was a large shopping list and it seemed to Mr. Geneen and to me that it would be totally impracticable.

#### PROPER FUNCTION OF CIA

Senator SYMINGTON. If I may make one observation: Mr. Schafer, you referred to a document of September 30, 1970, and in the document it implies that the ITT turned down suggestions of the Central Intelligence Agency, and I think we ought to get this very clear, that the Central Intelligence Agency has a right to do anything that it feels will help the security of the United States, regardless; that is what it is for. It is an overt and covert spy agency, and I would not want to let the record show that the CIA was suggesting something that the ITT felt would be wrong from a moral standpoint. The letter that you refer to, the memorandum you refer to says:

I will call you later to discuss HSG's reaction to my telex in some detail. He agrees with me that Broe's suggestions are not workable. However, he suggests that we be very discreet in handling Broe.

I do not know what they were, but I think our first obligation, provided it is accurate, is to defend the Central Intelligence Agency.

Mr. SCHAFER. I do not mean at all, Senator—

Senator SYMINGTON. You referred to the memorandum and that is the guts of the memorandum.

Mr. SCHAFER. I did not mean to say the recommendations of the Agency were at all improper and wrong.

Senator SYMINGTON. If the Central Intelligence Agency has done something wrong, that should be brought out also. But the nature of

the Central Intelligence Agency, its duties and obligations, and the same for a corporation, are entirely different, you would agree.

Mr. SCHAFER. I agree with that, but I simply wanted to state there is documentation that Mr. Levinson has not brought out which brings out Mr. McCone's distinction of staff recommendation made by the staff and not actually adopted by the Agency, the distinction between recommendations made to Mr. Genseen and those made to the Agency.

Senator CHURCH. I think the testimony has been very clear. This question has been asked of Mr. McCone, and he has made it very clear that so far as ITT was concerned, the final decision that was made was based upon a conclusion reached by the company that the proposals were not workable and would not prove effective. For that reason the ITT decided against them.

#### AUTHORIZATION FOR CIA ACTIVITIES

Mr. McCONE. Could I make one, elaborate a little bit on the very valid point Senator Symington made—by repeating my answer to a question that Mr. Levinson asked me last week?

If I recall the question—it does not mean he would ask it today, but it elaborates on this point, but I will elaborate.

Mr. Levinson asked me whether CIA could carry out, could implement the suggestions that Mr. Broe and his staff had generated, and my answer was he could not without approval from high authority, and that approval could not be gotten unless it was submitted to the controlling committee. So far as I know, the suggestions did not reach Mr. Helms and did not reach the committee. Therefore, you have to look upon those as staff thinking, and this is what staffs are for, but no move was made to implement them, and I think this is a very important point that you brought up, Senator Symington, because, among other things, I want this committee to know that, despite some of the statements made in recent books and so forth, the Central Intelligence Agency is an arm of the Government and is adequately controlled, in my opinion, by the President of the United States and his interdepartmental advisers, and also is carefully watched by the select committee of the Senate.

Senator PERCY. Mr. Chairman, would you yield at an appropriate point?

Senator CHURCH. Yes, indeed I will. I want to pursue this last statement with one further question. There is no doubt in your mind, is there, Mr. McCone, that Mr. Broe, in making a series of suggestions to the ITT as to actions that the ITT might take, and making contact with other American companies as to actions they might take, was acting pursuant to authority; that is, he was not acting in a way that was inconsistent with his orders?

Mr. McCONE. I think Mr. Broe would have to answer for himself.

Senator CHURCH. We have of course put that question to Mr. Broe. I ask it of you only because of your familiarity with the way the CIA works, due to your period of stewardship in that organization.

Mr. McCONE. I think he was exploring the courses of action that might be open in preparation of submitting a recommendation to the Director.

Senator CHURCH. But he would be doing that pursuant to the authority from his superiors?

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Mr. McCONE. No, that is his responsibility; that is his responsibility.

Senator CHURCH. Yes.

Mr. McCONE. His responsibility is to determine the alternatives and make recommendations.

Senator CHURCH. I think we will get the answers of Mr. Broe to these questions. As you say, he is the man who could best answer.

#### PRECEDENT FOR PRIVATE OFFER OF FUNDS TO CIA

Senator PERCY. Mr. McCONE, obviously you have a unique role, having been the former head of CIA and now a director of a private corporation. When Mr. Geneen conceived of this idea of making a million-dollar commitment and asked for your support and asked that you present this to the U.S. Government as an offer of the corporation, had there been any precedent at any time in your knowledge or experience for a private company to contribute corporation funds to an overall plan to be implemented by the U.S. Government and to be a Government plan? Has there been any precedent for that at all?

Mr. McCONE. Oh, yes, I think so.

Senator PERCY. There has been? Are you free to discuss that in your open testimony?

Mr. McCONE. I would prefer not to go into detail on that matter.

Senator PERCY. But if you knew there was a precedent and Mr. Geneen had knowledge that there was precedent, then it was a question not of breaking new ground in the relationship between private corporations and the CIA, but a question as to whether or not the plan that was proposed was a feasible, practical plan and whether there would be a reasonable return on the investment of time, energy, and money put into it?

Mr. McCONE. Well, Senator Percy, there is no precedent whatsoever for private corporations contributing funds for any purpose to the Central Intelligence Agency, to my knowledge.

Senator PERCY. Well, then I want to be sure that the record is clear on that.

Mr. McCONE. I want to be absolutely clear on that. And such suggestions that were made to me for such support by private corporations were summarily rejected by me and, to my knowledge, there have been no incidents that I have known of where private corporations contributed in any way to the Central Intelligence Agency.

However, there are instances where they have contributed to other governmental actions of an economic nature and contributed very substantially.

Just to give you one, one of the very effective organizations that operate, the Asia Foundation, this is supported by the Department of State and also substantially supported by private enterprise. The fact is, I contributed personally to it. There were many others.

#### SOURCE OF MILLION-DOLLAR FUND

Senator PERCY. Was it made clear to you by Mr. Geneen where these funds would come from? Would they come from the 70 percent owned subsidiary in Chile or were they parent ITT funds?

Mr. McCONE. They would come from the parent company.

Senator PERCY. From the parent company.

Mr. McCONE. Oh, certainly; it could not come from the 70-percent-owned Chiltelco under any circumstances.

Senator PERCY. Was it clear to you this was to be an amount that would be taken as a normal business expense and deducted from the company's income tax payments for that particular year in which the expense was incurred?

Mr. McCONE. That was not discussed.

Senator PERCY. That was not. Was it assumed though, that it was an operating expense and would be recognized by the Treasury Department as a business expense then?

Mr. McCONE. That was never discussed, and I could not make a comment on it.

Senator PERCY. Would it be necessary under corporate procedure if the amount were to be taken out of capital, for the board of directors to approve such an expenditure?

Mr. McCONE. Oh, yes, sir.

Senator PERCY. So it would be?

Mr. McCONE. Oh, yes, sir.

Senator PERCY. So was this matter ever presented to the board and discussed with the board?

Mr. McCONE. It might have been discussed informally with members of the board.

Senator PERCY. But not as a formal board action?

Mr. McCONE. So that Mr. Geneen knew he had board support. It was never submitted to the board.

Senator PERCY. But it was your impression that it was not to be a political type expense, that is nondeductible by American corporations, but that whatever form it would take it would end up as a deductible expense on the income tax statement?

Mr. McCONE. I am not at all clear that it would end up as a deductible expense. It might and it might not. I would think that the Internal Revenue Service would have a difficult time allowing it as a normal business expense. There might have to be a capital contribution.

Senator CASE. Wait, what about drugs to Cuba 10 years ago to free the survivors of the Bay of Pigs?

Mr. McCONE. Drugs to Cuba was by ruling of the Internal Revenue, were a deductible expense.

Senator CASE. For a similar purpose?

Mr. McCONE. And the transportation of them by the shipping companies that moved the drugs to Cuba, by agreement with the Internal Revenue was deductible.

Senator PERCY. But if it is housing or technical assistance, certainly this would be a deductible expense, would it not; or it could be a capital investment, I presume, in housing of some form or other. But technical assistance would never be capitalized. That would be written off.

I just wanted to go as far as I could in trying to determine more sharply what the corporation's real intention was in the use of these funds.

Mr. McCONE. It was never discussed with me. I understand Mr. Geneen is to appear sometime later, you can ask him that question. I cannot answer it, Senator.



## LIMITS ON POLITICAL ACTIVITIES OF MNC'S

Senator PERCY. One last question. I will have other questions later, Mr. Chairman, for Mr. McCone, but I would like to get your judgment on the principles we are trying to establish. That is really the purpose of this hearing, to establish principles, not just to determine what happened in past history in the case of one company. You cannot redo that but try to have a guideline, a rule of thumb, for American corporations and their relationship with the Federal Government.

Certainly, I would be the last one to want us to have American corporations refuse to cooperate in economic intelligence with CIA, for instance.

It is essential that we maintain that relationship as all established industrialized countries do today, Communist or non-Communist. —

But without prejudging anything, I would certainly like your own judgment about the appropriate limits for a company in seeking to influence the politics and policies of nations. How far do you think it is proper for a company to go, and how far in this case did you feel it was appropriate for ITT to go in attempting to influence the outcome of domestic politics in Chile?

Mr. McCONE. Well, this is a very broad question.

With respect to the latter part of your question, I think that, and dealing with the Chile situation, I think that Mr. Geneen is absolutely correct in taking the position that he would support plans that might be promulgated by the Government, and he would not initiate plans himself despite the suggestions that are made from various sources.

Now, on the broader aspect of your question, I think that multinational corporations, operating throughout the world, must be very, very careful not to involve themselves in the local domestic politics of the host country, and that is the policy of ITT, and it must be because they operate in 70-odd countries, and most of the world, or the majority of the world is in manufacturing of communications equipment for the national telephone companies of the various countries. Now they have to be very careful not to involve themselves in domestic politics of any of the countries and, indeed, they are very careful.

## DEPARTURE FROM STATED ITT POLICY

—Senator CHURCH. Mr. McCone, going back to your earlier testimony, you said that Mr. Geneen advised you that ITT was prepared to spend up to a million dollars in support of an American Government plan to form some coalition in the Chilean Congress that would deny Mr. Allende the presidency. You said that you approved of that and that you communicated it to high officials of the Government.

Mr. McCONE. That is correct.

Senator CHURCH. Now that certainly represents a departure from what you say the overall policy of the ITT is in not intervening in the domestic politics of foreign countries in which their properties may be located.

Mr. McCONE. No, Mr. Chairman, I do not think there is a contradiction.

I think, in answering Senator Percy's question, I was referring to the initiative of a corporation as contrasted with a support of a Government plan. I think it is well within the province of a corporation to, a domestic corporation to cooperate with this Government.

## U.S. GOVERNMENT INTERVENTION IN OTHER COUNTRIES

Senator CHURCH. Even if the Government plan is to intervene in the domestic politics of a foreign country?

Mr. McCONE. It would depend on the case.

I could see where a government might have a plan in France or someplace else that, because of the special interests of a corporation in that country, they would want to disassociate themselves from it, but the point I want to make is that I feel that it is wrong for any of these multinational corporations to initiate, promulgate their own independent course of action that affects the political trend in a host country.

Senator CHURCH. You see nothing wrong, in principle, in a large American-owned corporation giving support, financial or otherwise, to a plan that the American Government may devise for intervening in the domestic politics of a foreign country? The only reservation you have thus far expressed is that there may be cases where the interests of the corporation itself would make that unadvisable, but in principle you see nothing wrong as long as the plan is formulated by the American Government?

Mr. McCONE. That is correct.

Senator CHURCH. Is that your position?

Mr. McCONE. That is correct.

Senator CHURCH. May I present you with a hypothetical situation, just to more clearly understand your position?

Sometimes if you put the shoe on the other foot, it is a little clearer.

Suppose we had an election in this country and the candidate receiving the largest number of votes fails to get either a majority of the popular vote or a majority of the popular vote or the electoral vote, with the result that the selection of the next President under our Constitution falls to the House of Representatives. Suppose, further, that the candidate getting the largest number of votes is one who has strongly favored very restrictive policies against foreign investment in the United States. Now we have a somewhat similar situation procedurally to that in Chile. The Congress of the United States is to make the choice of the next President. There is an interval between the popular election and the time that the Congress decides. Suppose British Petroleum, feeling that these restrictive policies will be inimical to its own interests in the United States, goes to the British Government and says:

If you can design a plan that will prevent this American candidate who received the most number of votes from being selected by the Congress, we are prepared to help support or finance that plan with up to seven figures.

Do you think that would be a proper action for the British company to take under those circumstances?

Mr. McCONE. Well, it is a hypothetical question. [Laughter.]

It hits close to home. I would personally be very distressed if the British Government or any other government attempted to influence the Congress of the United States in their responsibility to select a President.

Senator CHURCH. Do you not think the Chileans would feel the same way about our interference in their process?

Mr. McCONE. And second. I would be even more distressed if I learned that any corporation offered to support political action on the part of a foreign government.

Senator CHURCH. Mr. McCONE, feeling—may I just interject this one thing—as you do—I understand how you would feel because that is how I would feel—does it not follow that that is how the Chileans are going to feel about ITT offering to support an American plan designed to thwart Mr. Allende's election by the Chilean Congress?

Is it not a similar situation, and is it not going to provoke the same kind of reaction in Chile as it would provoke in this country if the shoe were on the other foot?

#### TWO-THIRDS OF CHILEAN PEOPLE OPPOSED TO ALLENDE PHILOSOPHY

Mr. McCONE. I think that you have to consider the fact that here were two-thirds of the people of Chile, or almost two-thirds, opposed to the philosophy that was about to be imposed upon them, and I suppose, and in effect I think I said in answer to a somewhat similar question last Friday, that if this Alessandri plan had developed, and if Allende had been deprived of his position, I think it would have caused a great deal of distress in Chile but, nevertheless, when you look at the fact that two-thirds of the people of Chile directly opposed Allende, and in effect in a recent election, 60 percent of them opposed him, I am inclined to think it was worthy of consideration.

Now I do believe, sir, that, without having discussed this matter in the levels of government here, probably the very concern that you expressed was the reason that no plan evolved and nothing was done. Nothing was, despite all of the paperwork that has been flying around, the government did not develop a plan and ITT did not have a plan to support.

Therefore, I think that a thoughtful Chilean would say, "Well, what we are doing is, it is happening to us because we were misled, because of a lot of papers that were not representative of policy by the United States or by ITT are being publicly represented as policy and plans which were being implemented."

Senator CHURCH. One of the reasons for this hearing is to get the whole story on the public record. That is one of the reasons we have invited you to testify, Mr. McCONE.

Mr. McCONE. That is why I appreciate this opportunity, sir.

Senator CHURCH. Senator Case, please.

Senator CASE. Mr. McCONE, on this question of the purpose of the million dollars, that is to say, the subjective attitude of Mr. Geneen, you have testified—

Mr. McCONE. I am having a little difficulty hearing you.

#### IMPACT OF MILLION DOLLARS

Senator CASE. I say, on the question of the subjective attitude of Mr. Geneen and the company regarding the purpose of this million dollar offer, I do want to point out to you that in 8 years before from 1961 to 1968 economic assistance to Chile amounted to \$1,136,000,000, and that in 1969 it was over a hundred million, and apparently about the same for 1970. Now, when some \$1.3 or \$1.4 billion have been spent

in this kind of thing for 10 years how could a man of Mr. Geneen's intelligence possibly think that a gift of a million dollars for the same general purpose was going to have any effect at all in 6 weeks?

Mr. McCONE. Well, I think that he by no means thought that he was to carry the whole burden.

Senator CASE. He could hardly have thought it was necessary for him to stimulate the U.S. Government which with congressional approval, had already spent well over a billion dollars on this sort of thing. He hardly would have thought it was necessary or would even have thought it effective for the company to make an offer of \$1 million for some similar plan. I have too much respect for Geneen's intelligence to think that he had this kind of thing in mind.

Mr. McCONE. He was mindful of the fact, of the figures that you have just recited, and also stated, and I have verified it, that on a per capita basis the United States aid to Chile exceeded the aid to any other nation in the world. I have not checked that figure, perhaps you have. I think what is wrong—

Senator CASE. Except I should think, a country like Cambodia. Senator CHURCH. Or South Vietnam.

Mr. McCONE. Quite so.

I think that Mr. Geneen was not at all of a mind that a million dollars was going to change the pattern of things in Chile. What he was saying was: "If you have got a plan, here is a million dollars that will help. It is not only a million dollars forthcoming, perhaps you have got a lot of your own in your foreign aid program and perhaps others will come along. Perhaps labor will help."

So I do not think he, at any moment, thought that this was the whole story.

I do not like to be exploring his mind, he will be here and you will have an opportunity to talk to him.

Senator CHURCH. I really only want to lay this out now for what it is in fact, and not to pressure you any further.

Mr. McCONE. I can only tell you what I think, and that is, that I thought this was a move of encouragement, it was tangible evidence of support, but I at no time thought that it was the whole story or that it was even a significant amount of money.

Senator CHURCH. That is true; it was not significant for purposes for which hundreds of millions of dollars had already been spent.

Mr. McCONE. That is correct. The point I want to make, sir, if I may, is that this was an overt gesture that was communicated in a way so that it could be known publicly. There was no thought that this money or any part of it would be used in a covert manner.

Senator CHURCH. I know that is what you understand about it.

Mr. McCONE. That is my understanding.

#### COVERT NATURE OF FUND OFFER

Senator CHURCH. Mr. McCone, all of the memoranda that were passed around concerning this matter within the company and between the CIA and the company were handled in a highly confidential way. And certainly there was no publication of this material until Anderson got hold of it and published it. There was no intention

that this should be known publicly, was there? Was it not Mr. Anderson who forced the issue? Indeed, it caused such a sensation when he did so that this committee was created to look into this case and the whole question of the role of multinational corporations. So when you say it was an overt offer, you do not mean to say it was meant to be publicized. It was an offer, a private offer, between ITT and the Government; was it not?

Mr. McCONE. Yes. Perhaps I used the wrong term in saying it was an overt offer but it was a suggestion that funds be used in overt rather than a covert manner. Put it that way.

Senator CASE. Mr. Chairman, I have just a couple of more questions. Senator CHURCH. Yes, certainly, Senator.

#### BENEVOLENT PURPOSE OF FUND DOUBTED

Senator CASE. Do you not suppose that Mr. Geneen had some sense of the kind of thinking that Mr. Neal, subordinate in the company, had when he wrote in a memorandum, which is dated September 30, to his superior, Mr. Merriam, that for years we have been trying to help maintain stability in Chile with loans and grants, referring to the billion-plus dollars in aid. He continued:

The foregoing means the United States realized the danger of Marxism in Chile; so fought it with grants and loans, but did not have the extra forethought to follow its intuition by taking a more active part during the preelection period to assure the defeat of Allende.

And then, a comment that the State Department and AID admitted in public congressional hearings that:

Chile is a country of major United States assistance emphasis because of its important political role in the Hemisphere \* \* \*.

The liberal loan policy to Chile is justified because they were putting the money in there to fight Marxism. However, now that its program failed to prevent Allende from winning the election, the United States says, this is a Chilean matter, thus, we must not interfere?

He ends with this plaintive sentence:

Why can't the fight be continued now that the battle is in the home stretch and the enemy is more clearly identifiable?

Was not that kind of thinking shared by Mr. Geneen also, and was not that point understood by him at the time that the offer of \$1 million was made allegedly for the same kind of aid that had failed over many years to produce the result that we wanted? It is the difficulty of accepting this as a serious purpose that bothers the members of the committee, and again it is not you we are talking to, really. We will be talking to Mr. Geneen about this. How could he possibly have thought that an offer of \$1 million would have had any such result as he expressed the hope that it would. Frankly, I cannot grasp it.

Mr. McCONE. Well, Senator Case, as I have said, I cannot sit here and explore Mr. Geneen's mind.

Senator CASE. Sure.

Mr. McCONE. And he is going to be here and it will be a very good question to ask him. He asked me to—he conveyed this intention to the Government and he asked me to support it and I did.

Senator CASE. I appreciate that.

## PROMOTING ANTI-ALLENDE COALITION

Senator CHURCH. Mr. McCone—just one moment, Senator, if I may—as Senator Case points out, you have already testified that you supported the offer of \$1 million by the company to assist in any plan that the American Government devised to promote a coalition in the Chilean Congress to prevent Mr. Allende's election. Now, the question is, what means were to be used to promote the coalition? A million dollars is a very significant amount of money if it goes to finance covert political activity directed toward forming such coalition, but it is an utterly insignificant amount of money for the purpose of building houses. Therefore, it is very difficult to accept Mr. Genseen's statement that the money was intended for some constructive use like building houses, particularly in view of this long sustained and costly aid program that had gone on for many years by which we pumped \$1.4 billion or thereabouts into Chile for that purpose and the end result was the election of Mr. Allende. This just does not make sense.

Senator MUSKIE.

## PURPOSE OF PAST FUND OFFERS TO CIA

Senator MUSKIE. Senator Percy opened up a line of questioning that I suspended earlier, so I would like to ask one question. You indicated in your answer to him, as you did to me earlier, that companies had made offers to the CIA to support Government programs with the objective of influencing political forces within other countries. You said that you had rejected offers of assistance without exception. Am I correct in my recollection of your answer to Senator Percy's question?

Mr. McCONE. My answer, Senator Muskier, was that suggestions that were made to me by corporations or outside sources supply funds to CIA for any purpose were rejected as a matter of policy within CIA and, to my knowledge, that policy still stands.

Senator MUSKIE. Did the companies give any indication of the kind of activities, political or otherwise, which they were prepared to support under CIA auspices?

Mr. McCONE. Well, since the offer was dismissed out of hand by me, the purpose of the offer was not discussed.

Senator MUSKIE. So you never got into that detail?

Mr. McCONE. No, sir.

Senator MUSKIE. I would like to ask another question of general principle that I think underlies some of these questions that have been asked. In your view are contributions by companies for constructive social programs appropriate?

Mr. McCONE. I believe so.

## CONGRESSIONAL CONTROL OVER CIA BUDGET

Senator MUSKIE. What is of concern to me and the members of the committee is the fact that such contributions put those activities beyond the control of the Congress. Budget controls are the only way the President or Congress can check agency operations. Private contributions to operations which are not authorized in a budget tend to circumvent Congress and the Executive, and it seems to me that that

circumvention is a problem that we ought to examine and understand. I wonder if you want to comment on that.

Mr. McCONE. Yes; since the question is raised, I think it is well worth exploring by this committee or others. I will say that any contribution from either corporations or foundations are not really truly significant in terms of the billions of dollars that the Government puts up. But as you know, there are many foundations, for instance, the Ford Foundation, Rockefeller Foundation, and many others, that carry on extensively in the area of social problems throughout the world. There are foundations supported by the Government which, in order to fill out their needs carry on fund raising campaigns among foundations and corporations. I mentioned the Asia Foundation, that is a good example. You might examine this, yes, sure. It is a very pertinent question that you raise, sir.

Senator MUSKIE. Is it not your view that such contributions which had been made to your knowledge, circumvented Congress and the Executive to the point of having an undesirable effect upon our purposes?

Mr. McCONE. I know of no instance, sir, but there again, I am not fully familiar with some of these larger foundations, what they are doing and I cannot answer that specifically.

#### DISCREPANCY IN PURPOSE OF MILLION DOLLARS

Senator MUSKIE. I would like to ask one other question. It is clear that your understanding of the purpose of the million dollar contribution was that it was to serve constructive social purposes. But there is also distinct evidence in the record that others had a different purpose in mind for that million dollars. Is it conceivable that it might have been presented to you in one light while it was offered for a different purpose than you understood?

Mr. McCONE. Well, as I have said, sir, I am familiar with some but not all of the various plans and ideas that generated from various sources, some Chilean, some staff of ITT and some staff of CIA, I was familiar with some of them but not all of them. But what I am familiar with is the fact that they were rejected, and they were not implemented, and they were not implemented for various reasons, and men can speak for themselves. So far as I was concerned, I was opposed to anything that would create economic distress in Chile, and no action, to my knowledge, has ever been taken despite all the accusations that have been made, has ever been taken by the ITT, which has been branded as anything but a good citizen, even to the point where their properties were taken over, they continued to serve and to see that the communications system functioned properly so that the people of Chile would be served. They felt that responsibility, and so far as I know, they are still doing it.

Senator MUSKIE. What we are concerned about, Mr. McCONE, is not only the question of whether plans that were seriously considered by ITT were carried out and implemented, but whether or not they were seriously considered. What we are concerned about broadly is the whole thrust of multinational corporations and the internal politics in countries in which they become involved. There is in this documen-

tation a note of desperation and frustration that created pressure for the surfacing of these ideas. And the documentation indicates clearly that they were considered, and understood by such people as Mr. Merriam of the Washington office of ITT as sufficiently serious to pass on to CIA. At how high a level we are not entirely sure at this point. But they were seriously passed between the ITT staff people and the CIA staff people in this climate of desperation.

So if they are being seriously considered in connection with this occurrence or this situation, even though not implemented, the instinct to turn to such measures in the future may be very strong. And it is that which concerns us. We cannot rewrite what happened in Chile, but we might be able to learn from it. That is the spirit in which we are approaching this inquiry.

#### ITT DESPERATION OVER DEVELOPMENTS IN CHILE

Mr. McCONE. Well, I appreciate that. There is no question about the fact that there was a feeling of desperation. Here is a man who had campaigned on the basis of expropriating American interests, the banks, the copper companies, the telephone company and all the rest, and this created a desperation, certainly, it did in ITT. This, and on down the line. Now, to the extent any of these suggestions were seriously considered can best be answered by Mr. Geneen himself. But I can tell you that in discussing the subject with him he was very, very clear that he wanted no part of some of these suggestions which had developed from various areas that I mentioned and, therefore, while I am not qualified to say just what went on in the councils of the company, I was not there, there was no argument between Mr. Geneen and me concerning a proper course of action of ITT.

Now, turning to CIA, I just assumed that the same is true within that organization, and there again, I imagine that this committee has met with Mr. Helms prior to his departure for Iran.

Senator MUSKIE. We have not met with Mr. Broe.

#### INTERJECTION BY MR. SCHAFER

Mr. SCHAFER. Senator, I wonder if I could call your attention to one fact that relates, it seems to me, as to the speculations of the purpose of the seven digit figure and that is the documents show that willingness of Mr. Geneen was also indicated to the State Department and it seems to me that is relevant in determining whether this is for purposes of covert or overt activity.

Senator SYMINGTON. Mr. Schafer, if I may, you represent the ITT.

Mr. SCHAFER. Yes, sir.

Senator SYMINGTON. And you are properly interested in the ITT. No director knows everything going on in a corporation, especially a very successful corporation one making more money today than ever before. I do not take for granted the fact that Mr. McCone can read the mind of the ITT organization. The premise of that statement is that I have read the company documents.

It is fine you are here, but in due course we will hear from the people in the ITT. At this time we are not asking for the opinion of either the ITT or its counsel. I say that with respect. We are asking Mr. McCone what he knew about this business. I would suggest that you let us



question him, and, in due course, we will have the people from the ITT before the subcommittee.

#### LEGISLATION TO PREVENT PRIVATE CONTRIBUTIONS TO CIA

Senator CHURCH. You have testified, Mr. McCone, that during your directorship of the CIA, it was your policy and, so far as you know, it continues to be the policy of the CIA, never to accept offers of money from private corporations for the purpose of financing a CIA undertaking. Is that correct?

Mr. McCONE. That is correct.

Senator CHURCH. And you have also testified that from time to time offers have been made by private companies to the CIA for that purpose and which you rejected when you were the director. Is that correct?

Mr. McCONE. That is correct.

Senator CHURCH. I think without any doubt, the policy you followed was the proper policy, and I would hope that other directors would continue to adhere to that policy. One thing your testimony suggests to me is the possible usefulness of a Federal law that would prohibit or make a crime the contribution by private corporations to the CIA for the purpose of financing CIA operations. Such a law would be consistent with the policy you followed, and, I think, would also be protective, both to the CIA and to the long-term best interests of American multinational corporations. I think that is one possibility that might come out of these hearings.

Now, the other matter—

#### CONTRIBUTIONS FOR RADIO FREE EUROPE AND RADIO LIBERTY

Senator FULBRIGHT. Would the chairman ask, in that connection, how the acceptance of contributions for the support of Radio Free Europe and Radio Liberty, by the CIA, fits in with this doctrine he just expressed?

Senator CHURCH. Did you hear Senator Fulbright's question?

Mr. McCONE. I did not hear the question, Senator Fulbright.

Senator FULBRIGHT. How do the contributions received by the CIA for the running of Radio Free Europe and Radio Liberty, fit in with your statement that you never received money from private sources for CIA activities?

Mr. McCONE. Those contributions were never received by the CIA at all. The Radio Liberty and Radio Free Europe were independently operated corporations, independent board of directors. For years they received some of their support from CIA, and they also annually raised money from private sources but CIA had nothing to do with that whatsoever, with that fund raising nor did they receive any of the money, was it ever part of their budget or anything else.

Senator CASE. But CIA did determine policy and keep surveillance over the operations, did it not?

Mr. McCONE. Very little, sir, very very little. During the years that I was the director of CIA we had very little surveillance over the operation of Radio Free Europe. The Board of Directors appointed the President and Director. The CIA did not. We had no representation on the Board.

Senator CASE. How was the Board chosen?

Mr. McCONE. I cannot answer that. I do not know.

Senator CASE. At the moment, I do not recall either.

Mr. McCONE. I do not recall, sir.

Senator CASE. But it was, in effect, a CIA operation in its intention?

Mr. McCONE. Not a CIA operation, sir. It was CIA supported.

Senator CASE. It was a CIA initiative in the beginning. Again, we do not want to quibble about this thing, but the chairman is quite right that this is an instance of an organization that was in effect a CIA activity being supported in part by private contributions. I do think in this case that people who gave money to it were not trying to influence American policy particularly. I may be wrong there. I think the purpose of the private contribution was to act as a screen or cover for the activity of an American Government agency. But it is, I think, an example of something that seemed to me an unwise way of carrying on business, and I am glad that the chairman made it possible to emphasize that viewpoint at this time.

#### U.S. FOREIGN POLICY SINCE WORLD WAR II

Senator CHURCH. Mr. McCONE, you have testified this morning, and previously, that you believe that the actions taken by ITT and the liaison that developed between the ITT and the CIA for the purpose of achieving a coalition in the Chilean Congress to prevent Allende's installation as the President of Chile, were proper by virtue of the fact that this action was consistent with what had been American national policy and what was at that time national policy. Is that correct?

Mr. McCONE. That is correct.

Senator CHURCH. The policy you have referred to commenced with NATO and the Truman doctrine, and was basically to do everything we could to prevent the spread of communism in the world.

Mr. McCONE. Yes.

Senator CHURCH. That was the general objective of our policy at that time; was it not?

Mr. McCONE. Since World War II and up to recently, international communism has had a very active political action group centered in the KGB. Their purpose was to promote the Communist Marxist parties throughout the world in the interests of defeating the Christian Democratic parties and the other parties that stood for the principles of this country. Now, it was the actions taken which you mentioned, and there are a great many more, were basic in their establishment of the policies was to try to frustrate this determined effort of international communism.

#### DEMOCRATIC PROCESS IN CHILE

Senator CHURCH. Do you draw no distinction between the case in Chile and other cases such as Berlin, Korea, or Cuba? The latter were all cases, were they not, where the Communist effort, was a forcible one, that is to say, was an attempt to seize power by force of arms.

In Chile, Mr. Allende had been elected, had won the popular election and had done so in an open, free, and legal manner. Does that

not present a different case from the others, a very different case indeed?

Mr. McCONE. I am not familiar with the degree to which Allende's Marxist Party was supported by and from the outside, supported financially from the outside by the Communist movement. I do know that many other elections which I am familiar with in various parts of the world, the Communist Party received very substantial support, financial support, from political action. I have not made an inquiry as to just what the situation in Chile was.

Senator CHURCH. But, Mr. McCONE, even if we were to assume that Mr. Allende had received some financial support—I do not know if he had, but it is a safe assumption based on other patterns—we already have testimony to the effect that a good deal of money was pumped in on the other side from outside, from the United States. So that does not seem to me to be the relevant question. The question is, is it proper for either the company or the Government to intervene in the internal political affairs of Chile when a man is chosen by the people in an open and free election? It seems to me that that is a very different question than those which you raise in reference to Communist efforts to seize a government either through insurrection or outright aggression.

Mr. McCONE. Two-thirds of the people less a fraction of 1 percent. did not want to see their country succumb to the Marxist philosophy of Mr. Allende. Therefore, while it is true that he got a third of the votes and a few more than his opposition, it is most unfortunate that the opposition party split into two parties, the Christian Democratic Party and the party of Alessandri, nevertheless, I have a difficult time feeling that the Chileans, who are very superior people, by and large, really wanted that type of a government imposed on them, and it was only through the unfortunate division of the opposition that the situation turned out the way it did. Without such a division the results would have been as they were in 1964.

Senator CHURCH. Do you think if we had put more into the effort to support the other candidates the results of the election might have been different?

Mr. McCONE. I think that if somebody had just sat down with Mr. Tomic and Mr. Alessandri and said, "Look, you are committing political suicide," it might have had an influence on them but I do not think we did that.

Senator CHURCH. You mentioned the fact though Allende received a plurality of the vote, he did not have a majority of the vote. This is true. But it is also true, is it not, that under our system a candidate can be elected without a majority of the vote. In fact, Mr. Nixon, in his first election, did not have a majority of the popular vote but he nevertheless was entitled by our laws to be President. Is that true?

Mr. McCONE. That is correct.

Senator CHURCH. So the fact that Mr. Allende did not have a majority of the vote does not mean, that under the laws of Chile he was not entitled to be President.

Mr. McCONE. I think, and I am not familiar with the details of the laws of Chile, but I believe that his election, as receiving a minority of votes was only valid when approved by the Congress.

Senator CHURCH. It was only valid then, just as the election of an American President who fails to receive a majority of the electoral vote becomes valid only by vote of our House of Representatives.

Mr. McCONE. That is correct.

#### INTERVENTION IN FREE ELECTIONS

Senator CHURCH. Well, it strikes me as ironic that at the very time we were fighting a war in South Vietnam for the ostensible purpose of assuring the people of South Vietnam the right to choose their own government by election, we are contriving in desperation, to find some plan that might work to prevent Mr. Allende from being chosen President, who was the candidate in a free election. I think there is a very great distinction within the Chilean case and these other cases to which you have referred, that is the only point I make.

Mr. McCONE. May I repeat what I said earlier, and that is, I presume it was all of these considerations that resulted in the Government of the United States not engaging in any attempt to influence the parliament in their decision, and it was also the decision of Mr. Geneen and ITT not to involve itself unless the Government decided to. So perhaps in the higher councils of our Government we decided, and I was not privy to them, decided that, well, this is the way the little ball bounces and there is nothing we can do about it or should do about it.

Senator CHURCH. But you have also testified, Mr. McCONE, that in the end ITT rejected the various proposals because they did not think them workable.

Mr. McCONE. Well, let me say that they rejected those proposals but they had no proposal representing U.S. policy.

Senator CHURCH. That is right.

#### METHOD OF PROTECTING PRIVATE INTERESTS

Senator PERCY. Mr. McCONE, the stakes we will be dealing with in this subcommittee are very high. We only need look at the situation in Indonesia to see how that turned out by whatever means it turned out the way it did. Certainly the investment climate is far better and our relationships are better because of the way it turned out. And so far, it is not turning out so good in Chile. But I think that in what we are trying to deal with here, certainly no one disputes the fact that an American corporation has a self-interest in trying to prevent the loss of a huge property which would mean a large loss to its own stockholders, the general public, who own that stock.

The question is the methods used and whether the methods used are consistent with and appropriate to the foreign policy which must be set by the Government itself.

#### INFLUENCING NEWS MEDIA

I would like your comments on the use of the news media in a country and on guidance as to what the policy should be with respect to the news media for American companies doing business in other countries.

I noticed the takeover of the Chilean Telephone Co. was September 29, 1971. Three days later Mr. Merriam wrote a letter to the White

House, to an assistant to the President, and detailed an 18-point program. Point 8 states: "Probably will be necessary to give dollar assistance to the crippled news media because this factor is quickly going down the drain and 'El Mercurio', an outspoken opponent, could be wiped out on a moment's notice."

And, under, point 14: "El Mercurio of Santiago, remains alive and continues criticism of Allende. Some aid should be considered for this paper."

Although the timing is later, was any consideration given to what could be done using part of the million dollars to influence the news media in Chile consistent with the company's hopes as to the outcome of the election? That money, a million dollars, together with other funds, could be a substantial sum to influence news media. Although an inconsequential amount in terms of overall major programs of technical assistance and aid.

Mr. McCONE. Well, I am not familiar with this document that you refer to. I have not had a chance to read it and I have not given it a great deal of thought, as to the question you raised, Senator Percy.

I will say that I think it is extremely dangerous for any corporation operating in a foreign country to try to influence the news media in connection with political affairs. I think the corporations responsibility is to try to have the news media report favorably on what they are doing and this has nothing to do with political matters.

Now, if a plan was evolved to try to influence the news media in Chile, I think that—and if the question was referred to me, I would oppose ITT participating in it despite Mr. Merriam's letter.

Senator PERCY. So that you would state categorically you would state that the use of the million dollars to influence, make grants, loans, whatever it may be, to newspapers in Chile was not a part of the plan, and you did not associate yourself with any such plan in your dual role as consultant to CIA and Director of ITT. You did not have any knowledge of that being a part of the million dollar plan?

#### GOOD CORPORATE CITIZENS

Mr. McCONE. No. You see, Senator, that would run contrary to the stated policy of ITT, even though it faced and finally was expropriated, that it must continue as a good citizen, and it must supply services to the people of Chile, and this was basic, this we did, and we hope that we did it and did it properly, perhaps Allende would be more moderate in his determination to take over our properties. However, that was wishful thinking, I am afraid.

Senator PERCY. If you think it is improper or unwise for an American corporation to use extraordinary methods to influence the news media of a country, what advice would you offer to a multinational corporation operating in a foreign country should they become active in the support of a political candidate or a political party? We know in this country it is perfectly proper, not for a corporation, but for individuals in a corporation to take positions offering public support, and as individuals to financially support a candidate. But in looking for guidelines for the conduct of multinationals abroad, consistent with American policy, what would you advise from your own vast experience, which exceeds that of virtually anyone else that we will

have before us, with respect to taking a position concerning candidates or political parties abroad?

Mr. McCONE. My position is that the American corporation, as an American corporation, should take no such position. I am not unmindful of the fact that many multinational corporations, including ITT's own wholly owned subsidiaries in many of the countries, and most of them, without exception, those subsidiaries are managed by nationals of the host country. I have no doubt that some of them, as domestic companies in the host country, do take political positions, but not—but the domestic American company must not do so, in my opinion.

Senator PERCY. Lastly, what guidance can you offer from the standpoint of limits that should be imposed on the cooperation between CIA and a multinational corporation? I have not the slightest doubt that it is proper and right and necessary to share technical information so we have as much information as we can possibly gain about, let us say, the strength of an economy in a country or a particular segment of it because it vitally affects our competitive position with respect to those countries. But is there any limit that you see that should be placed on, say, a company trying to influence the policy of the CIA, such as making recommendations as to what the policy of this country should be, and can you offer any advice in this area? And do you feel that ITT at any point exceeded what you think are the bounds of good, prudent relationships between CIA and a company? Did you see any excesses at all?

#### CLOSE CIA-MNC RELATIONSHIP

Mr. McCONE. Well, to deal with the first part of your question, Senator Percy, it is my belief that the CIA should keep in close contact with the senior people in multinational corporations, they should debrief travelers, and they are so organized so that this is done. This adds to their inventory of knowledge.

They should rightfully secure from multinational corporations information on technical developments in other countries. I think that is correct. They likewise should debrief the press when they travel. I frequently debriefed men like Marquis Childs and Joe Alsop, and I also a time or two, debriefed Drew Pearson after he had made trips to Russia and to Cairo. Now, this is done overtly, it is done by a division of CIA that identifies themselves as CIA, and asks questions which, as I say—

Senator PERCY. And done by virtually every industrialized nation in the world; is that correct?

Mr. McCONE. That is correct.

#### USE OF MNC'S AS CIA COVER

Now, I do not believe that CIA should impose on multinational corporations to the extent of using them as cover. This, I think, is wrong from the standpoint of CIA and wrong from the standpoint of the multinational corporations. I do not see how any company could survive if it, if the cover were blown and it became known that they were being used for that purpose. Therefore, I have always been opposed to that.

Senator PERCY. And there were no ITT personnel, to your knowledge, at any time used as a cover for the CIA, despite the fact that you had a dual role as a Director and consultant to CIA?

#### DUAL McCONE ROLE

Mr. McCONE. Not to my knowledge.

Now, let me just speak about this dual role because it has been inferred in certain things that I have read——

Senator PERCY. I would appreciate an explanation if you would care to give it.

Mr. McCONE. Yes; that because I was former Director of the CIA, and because I was a consultant, and because I was a director of ITT, that I was the lynchpin between the two organizations and that an unholy alliance existed. Actually, when I asked to go on the board of ITT there was not a single word mentioned about CIA and ITT did not know, nobody in ITT knew, that I was a consultant to CIA. As a matter of fact, I cannot remember mentioning CIA to anybody in ITT in anything other than in a casual way until this question of the Chile election came up.

Furthermore, in the countless meetings I had with Mr. Helms and members of his staff from 1965, when I left CIA, until 1970, I never discussed ITT matters with him except to say that it was a great company and was operating in 70 countries and it was a pleasant association. But I only—the matter only came out because of the concern because of the election and this——

#### USE OF PRESS AS CIA COVER

Senator PERCY. Finally, should the press be used as a cover by CIA? Mr. McCONE [continuing]. Is what I discussed with Mr. Helms.

I do not think so. I think if they were, it would violate their responsibilities.

Senator PERCY. And again jeopardize their position.

Mr. McCONE. As members of the press it would destroy their objectivity and it would be a mistake. On the other hand, it is perfectly legitimate for them to report their observations but that is quite another thing.

Senator PERCY. Thank you very much.

Senator CHURCH. There are no further questions? Mr. McCONE, I know you are headed out to a vacation where there is lots of sunshine and sea, and I have delayed you long enough.

Thank you very much for coming today. Your testimony was most helpful and most illuminating.

Mr. McCONE. Thank you very much.

Senator CHURCH. The hearing is adjourned until 2:30 this afternoon.

[Whereupon, at 12 noon, the hearing was recessed, to reconvene at 2:30 p.m., this day.]

#### AFTERNOON SESSION

Senator SYMINGTON. The hearing will come to order.

In the absence of Senator Church, at his request I will chair the hearing until he returns.

The first witness is Mr. Hal Hendrix. Is Mr. Hendrix here?

Mr. HENDRIX. Yes, sir.

Senator SYMINGTON. Mr. Hendrix, it is good to see you again. It is the custom in this subcommittee to swear the witnesses. Do you swear the information you will give this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HENDRIX. Yes, sir.

Senator SYMINGTON. Be seated, please.

Counsel, will you proceed?

Mr. BLUM. For the record, Mr. Hendrix, would you please state your full name and address?

**TESTIMONY OF HAL HENDRIX, ITT PUBLIC RELATIONS DIRECTOR, LATIN AMERICA; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. HENDRIX**

Mr. HENDRIX. Hal Hendrix, New York City.

Mr. BLUM. How long have you worked for ITT?

Mr. HENDRIX. Since September 1967.

Mr. BLUM. What is your position with the company?

Mr. HENDRIX. Director of public relations, Latin America.

Mr. BLUM. To whom do you report?

Mr. HENDRIX. Mr. Keith Perkins directly.

Mr. BLUM. He is the director for Latin America?

Mr. HENDRIX. He is the director of Public Relations of ITT.

Mr. BLUM. Do you finally report to Mr. Gerrity? Is that the organizational chart?

Mr. HENDRIX. Yes.

Mr. BLUM. Where were you posted before working in New York City for ITT?

Mr. HENDRIX. I was posted from the time I joined ITT in 1967 in Buenos Aires, until I was moved to New York in May, June 1970.

Mr. BLUM. Before joining ITT, what did you do?

Mr. HENDRIX. Immediately prior to that I was Latin American correspondent for Scripps-Howard Newspaper Alliance; prior to that Latin American editor of Miami News; prior to that reporter correspondent for the Kansas City Star.

Mr. BLUM. In other words, you have long reportorial experience in Latin America.

Mr. HENDRIX. I have spent about half of my adult life as a newsman and a great part of that in covering Latin America.

Mr. BLUM. Are you Mr. Berrellez' immediate superior?

Mr. HENDRIX. Yes, sir.

Mr. BLUM. And where is he based?

Mr. HENDRIX. He is based in Buenos Aires.

#### SUPPORT FOR CHILEAN NEWSPAPERS

Mr. BLUM. I would like to begin by asking you about a memorandum from Mr. Gerrity to Mr. Dunlevy, dated August 18, 1970.

I will read it, it is very brief:

Further to our conversation yesterday morning, attached is a report from Jack Neal listing the State Department's outlook on the Chilean election.



In keeping with Hendrix's telephone call, Neal's report indicates "clearly the need for Alessandri to have support in the Congress. Accordingly, I am instructing Hendrix to make the commitment on the 50-percent basis, as discussed."

First, what is the reference to the telephone call? Do you recall when you called?

Mr. HENDRIX. No, sir, I do not. I may have come back from a trip and called Mr. Gerrity, at that time, I do not recall the exact telephone conversation.

Mr. BLUM. Would you have made a trip to Chile in August 1970?

Mr. HENDRIX. Yes, sir.

Mr. BLUM. It says, "I am instructing Hendrix to make the commitment on a 50-percent basis, as discussed." What commitment does that refer to?

Mr. HENDRIX. As I told you, Mr. Blum, I am basically a newsman and still am, even though I am in the public relations business. I guess, on the trip, on that particular trip, to Chile and in reading comments by the Inter-American Press Association and other newspapers it was obvious that papers like *El Mercurio*, *Diaria Ilustrado*, *La Segunda*, the so-called conservative papers, were getting thinner and thinner for lack of advertising, and newsmen that I had known over a period of time called this to my attention, which was not really necessary. I could see it. And they asked if in my position, if I could do something about getting some additional advertising into these newspapers. They pointed out the obvious financial help it would make to the papers if our telephone company would increase its advertising, in size and frequency.

I saw nothing wrong with this request and I said all I can do is recommend it, I would recommend that we double it, the frequency. The size of the ads was not my prerogative or province.

I did explain this to Mr. Gerrity, perhaps to Mr. Perkins first and through the chain of command, that we should do this to help keep these papers alive.

Mr. BLUM. The papers—

Mr. HENDRIX. I might add one of the concerns in my role at that time was that the other newspapers at Santiago of a more leftist nature had put the telephone company and some of its executives under extreme, severe attack. There just was not a day going by that we were not getting blasted. They said some very uncomplimentary things about the wife of one of our executives, things like this, were getting very nasty, and the only hope of presenting the company, the telephone company's, Chiltelco's, side of the picture, also was through the conservative papers. We could not get—they would not even accept advertising in the Communist paper.

Mr. BLUM. Clearly, then, the newspapers to which the 50-percent commitment was made were the conservative newspapers. Is that correct?

Mr. HENDRIX. Yes, sir. As I say—I am sorry, I did not understand the question.

Mr. BLUM. Let me try again. The newspapers to which you were referring as the ones involved in this reference to a commitment on a 50-percent basis, were the conservative newspapers in Santiago?

Mr. HENDRIX. The conservative newspapers were the newspapers I had in mind when I recommended doubling our Chiltelco advertising.

Mr. BLUM. The date of this memo is August 18, 1970. That makes it immediately prior to the popular election which occurred on September 4. Is that correct?

Mr. HENDRIX. August 18 to September 4.

Mr. BLUM. All right, sir.

Was the commitment made?

Mr. HENDRIX. I was on the road a lot. I assumed that my recommendation would be taken as I presented it. Just off hand I know I was in, the schedule that you have, I was in Peru, Argentina, Brazil, St. Thomas, San Juan, in that same month, and I was not just concentrating only on one company or one country. I had many other duties and places to go. I assumed if I had recommended this they would take some action, and I did not know.

#### TELEPHONE COMPANIES BECOME POLITICAL ISSUE

Mr. BLUM. You mentioned that the telephone company was a political issue in the campaign. Is this an unusual position for an ITT telephone company to be in?

Mr. HENDRIX. I do not think it is unusual for any public utility to be an issue in a political campaign.

Mr. BLUM. For example, in Puerto Rico in the last political campaign, was the telephone company a political issue?

Mr. HENDRIX. I guess it could be called a political issue, yes.

Mr. BLUM. So, Chile was not particularly different in that respect.

Mr. HENDRIX. No. Well, it was different. Mr. Allende had said in his platform that he was going to expropriate the Chile Telephone Co.

Mr. BLUM. Had he said he would expropriate it without compensation?

Mr. HENDRIX. He did not mention anything about compensation in his platform.

Mr. BLUM. He did not mention compensation one way or the other.

Mr. HENDRIX. He did not mention compensation in his platform.

Mr. BLUM. I see.

Mr. HENDRIX. As I recall.

#### POPULAR FRONT PROGRAM

Mr. LEVINSON. Excuse me, can I interrupt one moment, Mr. Blum?

You said that expropriation of foreign companies was part of the United Popular Front campaign platform. I believe that is what you said?

Mr. HENDRIX. I believe it was part of the UP platform to nationalize the Chile Telephone Company. I cannot recall the specific platform 3 years back, but I believe we were mentioned in there.

Mr. LEVINSON. I do not believe that that is accurate. A cable from Mr. Holmes to Mr. Stimson dated September 2, 1970, mentions a speech in which Allende—

referred to the nationalization of Chiltelco as part of his expropriations program. His words referred to Chiltelco as a company which only installed phones in the more affluent sectors of the city, had his books of account in gold, made \$13 million in profits. Also stated that, being a public utility, should not have profits but lower rates to make the service available to the lower classes. He also mentioned that Chileans should not be afraid of nationalizations since

government-owner corporations had proved to be more efficient than private ones. He mentioned Entel as an example, without going into further details. I believe this portion of the speech was included by Senator Tarud, for the reasons in your and our knowledge, since this is the first time he ever mentions Chiltelco.

I point this out just for the purpose of being accurate. According to this report which is dated, I believe, as one of your company weekly reports for the period ending August 31, the only reference to the Chiltelco expropriation is in a campaign speech and was apparently inserted by some Chilean senator for reasons known to your company. But there was no reference, as far as this would indicate to expropriation in the campaign platform itself.

Mr. HENDRIX. Mr. Levinson, this is a message from someone other than me. Apparently, an intimate of Allende made a speech. My recollection is that this was a section on nationalization of telecommunications in the UP platform but it is a recollection at this point.

Mr. LEVINSON. The person who did send this cable was Mr. Holmes, the Chilean manager of Chiltelco.

Mr. HENDRIX. As I say, I did not send it.

Mr. LEVINSON. If you have a copy of that platform which makes reference to a plan to nationalize Chiltelco we would be very pleased to receive it.

#### TRAVELS OF MR. HENDRIX

Mr. BLUM. Turning again to the September 17 report from Mr. Berrellez and you to Mr. Gerrity, would you mind describing the circumstances of your visit to Santiago. Is that your regular visit to Santiago, the usual swing through?

Mr. HENDRIX. I would not say it was regular. As you noted from my schedule that you requested, and I presume you have, in my position I try to make a swing clear around the area once a month, once every 6 weeks, to see all the installations, all the PR managers in the individual companies, that was my routine. It was kind of like living on a yo-yo at that point.

On this particular trip in September, I started out in Mexico City and I went back to New York, I was in Mexico City 4 or 5 days, at an area meeting, I believe, or a lawyers' conference, and I went to Panama, I went to Argentina. On the night of the 13th I went to Santiago. I was working my way back.

Mr. BLUM. Were you asked by any of your superiors to go to Santiago at that time?

Mr. HENDRIX. No, this was again a routine pattern as you will see from the month before and the month after.

Mr. BLUM. There was no specific request from Mr. Gerrity or Mr. Perkins that you go to Santiago?

Mr. HENDRIX. Not that I recall, Mr. Blum.

Mr. BLUM. Had you seen the earlier reports that Mr. Berrellez filed from Santiago? You received copies of them, as indicated?

Mr. HENDRIX. At some point I presume I read them. I was away from the office a large part of the time.

Mr. BLUM. Specifically, do you know if you read the September 7 cable he sent from Santiago summarizing the immediate postelection situation?

Mr. HENDRIX. I have read it, I do not recall exactly when I first did see it.

## THE "GREEN LIGHT" CABLE

Mr. BLUM. Turning to the September 17, 1970, cable, the fifth paragraph, let me read it.

Late Tuesday night (September 15), Ambassador Edward Korry finally received a message from State Department giving him the green light to move in the name of President Nixon. The message gave him maximum authority to do all possible—short of a Dominican Republic-type action—to keep Allende from taking power.

Were you the one who developed this information?

Mr. HENDRIX. Yes, this particular paragraph I wrote. For clarification and for—as we go through this. I physically typed the rough of this entire memo, part of it is input by Berrellez, part of it is mine, I pasted it together on my return to New York. The hop-skips through some paragraphs mine and some his.

Mr. BLUM. This paragraph is your paragraph?

Mr. HENDRIX. This one is mine, yes, sir.

Mr. BLUM. Did you consider the information in that paragraph reliable, accurate information?

Mr. HENDRIX. I considered the information reliable, yes.

Mr. BLUM. Did that information come from any source connected with the U.S. Government?

Mr. HENDRIX. No, sir. I discussed this this morning with Mr. Levinson.

Mr. BLUM. Could you describe the character of the source?

Mr. HENDRIX. Sir?

Mr. BLUM. Could you describe the character of the source of this information?

Mr. HENDRIX. Yes, sir, it was a Chilean who was a professional acquaintance of mine going back as far as, approximately late 1963, I was covering the 1964 election campaign. He was very highly placed in the Christian Democratic Party organization and I considered him an intimate friend of Mr. Frei.

Mr. BLUM. Was it this information that led you to the assessment, or what appears to be the beginning of an assessment, that—

The big push has begun in Chile to assure a congressional victory for Jorge Alessandri on October 24, as part of what has been dubbed the "Alessandri formula."

Earlier, in that September 7 memorandum, Mr. Berrellez had been quite pessimistic. He seemed very sure that Dr. Allende would be elected by the Congress as President of Chile. I am wondering whether it was the "green light" that changed your assessment.

Mr. HENDRIX. I would have to presume I was—first of all, that second paragraph is my personal conclusion, analysis or assumption, based on what this man had told me. And I did not really believe that to myself, I really did not believe that this was all that important but my job was to report what I heard, what I listened to, and based on my experience to make a personal evaluation.

Mr. LEVINSON. Mr. Hendrix, excuse me.

Mr. HENDRIX. Yes, sir.

## WORDS OF THE SOURCE

Mr. LEVINSON. Could you try to reconstruct for us, as best you can, your most precise recollection of what this individual said to you which led you to draft this paragraph which says that Ambassador Korry finally received a message from the State Department giving him a green light? As precisely as you can, will you tell us what this individual said to you?

Mr. HENDRIX. Yes, sir. Since this originally came up more than a month ago with you, I tried very hard and very carefully to piece together what happened on this particular day or the 2 days I was there. As best I can recall this, Mr. Levinson, I can take myself through most of the day, I may be, may not be 100 percent accurate on occasion—

Mr. GILBERT. He just wants to know if you can recall the precise words of the conversation. I do not think he is interested in the whole day.

Mr. HENDRIX. What he said is what you asked?

Mr. LEVINSON. That is right.

Mr. HENDRIX. We were discussing the so-called Alessandri formula at a very well known coffee bar in downtown Santiago, very close to the Casa Moneda—

Mr. LEVINSON. Would you explain what the Casa Moneda is, for those who do not know?

Mr. HENDRIX. It is the Presidential palace and that is where the working offices are for the palace, for the Presidency. We were in the cafe which is, I guess, one of—

Senator SYMINGTON. Mr. Hendrix, what we would like to know is what was said. Thank you.

Mr. HENDRIX. I was asking him about the Alessandri formula which was my primary interest at that point, since he was highly placed, as I say, in the Christian Democratic movement, and very, very close to Mr. Frei, and during the course of this I was curious as to what the Christian Democrats were going to do because it appeared they were going to not do anything except follow Mr. Tomic's lead. During the course—

Mr. LEVINSON. Mr. Tomic's lead was to support the election of President Allende, is that correct?

Mr. HENDRIX. He had announced publicly that he, Mr. Tomic, would support Mr. Allende.

Mr. LEVINSON. What did he say?

Mr. HENDRIX. So, just during the course of my questioning and discussion of this, this gentleman said, and I can only paraphrase from best recollection, that "I had heard this morning"—

Mr. LEVINSON. This is what this man is saying to you: "I had heard this morning—"?

Mr. HENDRIX. Yes, this is around 11, 11:30 in the morning, "that a very important, a very strong, very hard message"—

Mr. LEVINSON. Muy duro.

Mr. HENDRIX. Muy duro.

Mr. LEVINSON. In Spanish that means very hard.

Mr. HENDRIX [continuing]. "Had been received at the Embassy last night."

FROM A VERY HIGH SOURCE

Mr. LEVINSON. And by the Embassy he meant?

Mr. HENDRIX. By the Embassy a Chilean in his position meant to me from experience, he was talking about the Ambassador and it meant the U.S. Embassy, not the French or whatever, and the exact words, again, this is 3 years back almost, "that this could be very helpful to us." "us" being the Christian Democrats.

Mr. LEVINSON. Did he use the phrase "muy alto?"

Mr. HENDRIX. From a very high source.

Mr. LEVINSON. By "muy alto" you interpret that to mean "from a very high source?"

Mr. HENDRIX. Yes.

Mr. LEVINSON. Did he say that several times. "muy alto, muy alto?"

Mr. HENDRIX. Yes, his emphasis was that this had come from a very high place.

I said to the effect this is—you frequently hear these kind of claims from people in various countries, this sort of thing, this kind of message has come down, and I said is this really for real, and I remember it distinctly that the emphasis was "cierto."

Mr. LEVINSON. Would you explain what is "es cierto"?

Mr. HENDRIX. "Es seguro."

Mr. LEVINSON. "Es seguro" means it is certain. Right?

Mr. HENDRIX. Right. That was the end of that conversation. We finished our coffee and we speculated on the Christian Democrats.

Senator SYMINGTON. We do not want to really know so much about that as we do what it is that he said to you and tie that into the paragraph in question, you see, and then we can move on.

Mr. HENDRIX. Senator, that is basically what he said to me, the language was not his, the language is mine.

Senator SYMINGTON. In other words, he did not mention the name of President Nixon?

Mr. HENDRIX. No, sir.

Senator SYMINGTON. But you inferred that is who he meant?

Mr. HENDRIX. Yes, sir.

Senator SYMINGTON. Thank you.

Mr. BLUM. Mr. Hendrix, at that conversation, did that individual ask you, or ask through you, for ITT's support in any way?

Mr. HENDRIX. No, sir.

Mr. BLUM. Why was he talking to you?

Mr. HENDRIX. Why was he talking to me?

Mr. BLUM. Was it simply friendship? You were not a newsman.

Mr. HENDRIX. I had known him since late 1963 and I had a working relationship with him as a correspondent through the Frei campaign, and subsequently during the Frei administration.

FREI KEY TO SOLUTION

Mr. BLUM. The next paragraph says, "At this stage the key to whether we have a solution or a disaster is Frei—and how much pressure the United States and the anti-Communist movement in Chile can bring to bear upon him in the next couple of weeks."

What was the source for that—the same man?

Mr. HENDRIX. No, sir; that is my personal analysis, my feeling, and also I guess kicking around with my associate, Mr. Berrellez, that this was a conclusion I came to and I wrote.

Mr. BLUM. Who are you referring to when you say "we have a solution or disaster," is it ITT?

Mr. HENDRIX. No, sir; that is my personal analysis, my feeling, and recall but I presume that must be, yes.

Mr. BLUM. So as you analyzed the situation the critical question was how much pressure the United States and perhaps the anti-Communist movement in Chile could bring to bear on Frei.

Mr. HENDRIX. If my—if this gentleman's input was correct and I properly interpreted it, that was my conclusion, my analysis.

#### PRODDING BY UNITED STATES

Mr. BLUM. Later in this same cable or memorandum you say, "The anti-Communist elements with Alessandri's supporters in the forefront and Frei in the wings (both prodded by the U.S. Government) are maneuvering—now rather efficiently—to capture the congressional vote and set the stage for a new national election."

The phrase I am interested in is, "both prodded by the U.S. Government." Where did that come from?

Mr. HENDRIX. I inserted that parenthetically, based on the previous paragraph that we have just discussed.

Mr. BLUM. In other words—

Mr. HENDRIX. That is my own.

Mr. BLUM. That reference goes back to the same conversation. There was no other discussion of people prodding Frei or other activity going on?

Mr. HENDRIX. No; this is from observation and reading the newspapers, parenthetical was a reference back to the previous page. I inserted that one place else in here, a reference to that in one of Bob's, Mr. Berrellez' paragraphs when I typed it, I put it in for emphasis.

#### EFFICACY OF CHILEAN MILITARY

Mr. BLUM. Point No. 6 of the memo asks, "Is the Chilean military capable of coping with nationwide violence or a civil war? Opinion is divided on this in Santiago. Korry has said he considers the armed forces a 'bunch of toy soldiers'."

What was the source of that?

Mr. HENDRIX. Mr. Blum, I think you will have to wait for Mr. Berrellez on this.

Mr. BLUM. That is his?

Mr. HENDRIX. I tried to piece together whose input was what.

#### U.S. MILITARY SUPPORT

Mr. BLUM. The last sentence of that paragraph says, "We know that the army has been assured full material and financial assistance by the U.S. Military Establishment." Is that Mr. Berrellez', too?

Mr. HENDRIX. Yes; that whole paragraph.

## KORRY TAKING HARD LINE

Mr. BLUM. In item 8, and I will read that one, "Ambassador Korry, before getting a go-signal from Foggy Bottom, clearly put his head on the block with his extremely strong messages to State. He also, to give him due credit, started to maneuver with the CD, the Radical and National Parties and other Chileans—without State authorization—immediately after the election results were known. He has never let up on Frei, to the point of telling him to 'put his pants on'."

What was the source of that?

Mr. HENDRIX. Starting at the first sentence, the "go signal," again it is my own editing, the rest of this is just bits and pieces of things I had heard from American colleagues who had attended the collective or single background briefings that the Ambassador was in the habit of having, and this is just a collection of bits and pieces that were relayed to me by a number of American colleagues I used to work with.

Mr. BLUM. I would like to pin this down very precisely. Is it your testimony that American reporters then in Santiago were told by Ambassador Korry in a briefing at the Embassy that he was maneuvering among Chilean politicians?

Mr. HENDRIX. I do not know that as a fact.

Mr. BLUM. Was that your surmise after talking to them?

Mr. HENDRIX. Surmise, my assumption.

Mr. BLUM. Did they tell you that Ambassador Korry had said that?

Mr. HENDRIX. No, sir, I do not recall the exact words. I recall many noon times, evening times sitting around with a large number of close friends with whom I used to work, who were covering the story, and listening to their scuttlebutt, what they were filing, what they had filed, what they were working on, I was there only a short time and I picked up what I could from them and it was on a friendly basis. I was not—it was not unusual that I would talk to former associates.

Mr. BLUM. The reason I am pressing this is that it is fairly serious for an ambassador to be doing such a thing. If the Ambassador is doing it without authority it is even more serious. I would like to be very sure of the weight which we can give to this paragraph.

Mr. HENDRIX. Well, Mr. Blum, it is just the way I told you.

Mr. BLUM. You say in item No. 9 that, "The anti-Allende effort more than likely will require some outside financial support. The degree of this assistance will be known better around October 1. We have pledged our support if needed."

## KORRY ATTITUDE TO ALLENDE

Senator SYMINGTON. The last part of that you talk about an emissary of Allende calling at his office to pay respects and you say that the Allende Government wanted to have good relations with the Ambassador and the United States. Mr. Korry responded only that "He had been so busy with consulate affairs helping to get advice as for Chileans wanting to leave the country that he had not had time to think of the future."



Is what you are telling your company that the Ambassador rejected any effort on the part of the President of Chile to have good relations with the Ambassador?

Mr. HENDRIX. Senator Symington, I guess this is what this would infer. Yes, sir, it would infer that.

Senator SYMINGTON. Why do you think he felt that way about it?

Mr. HENDRIX. At this point in time my recollection is, I saw Mr. Korry maybe two or three times in this 2 or 3 month period, and my recollection was that, is, that he was not happy with the outcome of the election.

Senator SYMINGTON. As ambassador to the country he would not deliberately try to pick an argument or a fight with the new head of the country, would he?

Mr. HENDRIX. I really cannot speculate on what Mr. Korry might have done.

#### INFLEXIBLE ANTICOMMUNISM

Senator SYMINGTON. There was a time once in this country some people said the only good Indian was a dead Indian. We lived to regret that policy. Some time back I was listening to one of these professional anti-Communist ideologues some still around, and said "You apparently feel the only good Communist is a dead Communist." He said, "Maybe I do." I said, "Then what do you think of Dubcek"? It depresses one, all this hostile feeling just because a man has a different concept of government than ours. Perhaps there has been some change in this government as a result of the trips to Peking and Moscow. That is a surprising position. We have been friends since years ago in Kansas City, and I have seen you in Miami, not for about 10 years, but am glad to see you looking so well.

Mr. HENDRIX. Thank you, Senator.

#### KORRY REFUSAL TO DEAL WITH ALLENDE GOVERNMENT

Senator SYMINGTON. Here you are saying our Ambassador does not want to have anything to do with the President of a country to which he is assigned to cultivate good relationships. That is a pretty serious indictment, one I think against the best interests of the United States. I was wondering what justification you had for making that statement.

Mr. HENDRIX. Mr. Levinson and I discussed this briefly this morning.

Senator SYMINGTON. I was not in on that discussion.

Mr. HENDRIX. It was my feeling from very brief, casual conversations with the Ambassador, and I might add generally pretty much one-sided conversations—

Mr. LEVINSON. By one sided, you mean that Ambassador Korry did most of the talking?

Mr. HENDRIX. Yes, sir, that he was not pleased at all at that time, at that point in time, with the outcome of the election or the prospects of it.

Senator SYMINGTON. What you, in effect, imply is that he was so displeased he did not want to talk to the people down there running the government. I cannot coordinate that with the concept of what an Ambassador is supposed to be doing in a foreign country.

Mr. HENDRIX. Senator Symington, I put this in quotes and I have to go back almost 3 years now because I believe I was quoting an anecdote as it was told to me.

#### FINANCIAL SUPPORT FOR ANTI-ALLENDE EFFORT

Mr. BLUM. Mr. Hendrix, point No. 9 of your cable says, "The anti-Allende effort more than likely will require some outside financial support. The degree of this assistance will be known better around October 1. We have pledged our support, if needed."

Who is the "we"?

Mr. HENDRIX. That is Mr. Berrellez and I, in talking at this point mainly in terms of what I consider to be a strong recommendation for the newspapers I previously had mentioned. This was input from Mr. Berrellez that I just added to—I wrote, I physically typed.

Mr. BLUM. This was not your item then? Let me just ask you this so the record will be perfectly clear.

Mr. HENDRIX. It was our evaluation jointly, I physically typed this.

Mr. BLUM. Let me press this so we can be perfectly clear on the record. You say "The anti-Allende effort more than likely will require some outside financial support." Plain reading of that text seems to indicate a contribution of money. Did you pledge any contribution of money?

Mr. HENDRIX. No, sir.

Mr. BLUM. To anyone?

Mr. HENDRIX. At no time.

Mr. BLUM. Did you pledge any contribution of goods?

Mr. HENDRIX. No, sir. I recommend advertising, substantial increase.

Mr. BLUM. And that is the only kind of support you were referring to here?

Mr. HENDRIX. Yes, sir.

Mr. LEVINSON. Are you talking here to Mr. Matte?

Mr. HENDRIX. This is, I said Mr. Berrellez, this is Mr. Berrellez' input and you will cover that with him.

Mr. LEVINSON. I think that perhaps the best way to do this is to get Mr. Berrellez right up here since the two of you seem to cross right over. But when you say, "we have pledged our support if needed," is it the Alessandri formula that what you are discussing here? Before, we were told that you were interested in the Alessandri formula, that that was the context in which you had been discussing with this individual who was close to President Frei. When we are talking about the anti-Allende effort, are we talking now about the prospects of implementing the Alessandri formula?

Mr. HENDRIX. In this context, no, we were talking only about what I had very strongly recommended to help keep these papers afloat. Well, it was obvious that the financial shape they were in, this is the extent of my recommendation.

Mr. LEVINSON. But to whom have you pledged this support?

Mr. HENDRIX. I told the people at the papers I would do my best, I would recommend this.

Mr. LEVINSON. You would recommend that Chiltelco, the ITT Chilean telephone subsidiary, increase its advertising?

Mr. HENDRIX. Yes, sir.

Mr. LEVINSON. These are Chilean newspaper people, and you had led them to believe that you would make a recommendation to your company?

Mr. HENDRIX. Yes, sir.

Mr. LEVINSON. That the company increase its advertising in these newspapers which were opposed to the Allende, to Allende taking office as President of Chile; is that correct?

Mr. HENDRIX. I recommended increasing advertising to those papers, their editorial position pretty obviously being conservative newspapers.

Mr. BLUM. Mr. Hendrix, I do not wish to labor the point but why did you not say, "We recommended increasing advertising"? Why did you say "We pledged our financial support"?

Mr. GILBERT. Excuse me, he pledged his support—

Senator SYMINGTON. Mr. Gilbert, will you rise and be sworn, if you are going to testify?

Mr. GILBERT. Mr. Symington, I do not plan to testify. I am representing a witness.

Senator SYMINGTON. Then please talk to the witness, otherwise you should be sworn.

Mr. GILBERT. It is not that, Mr. Symington. I am not a witness and I am not going to testify.

Senator SYMINGTON. Do you want to testify?

Mr. GILBERT. No, sir.

Mr. BLUM. I will restate the question.

Mr. GILBERT. That was all. The quotation was wrong.

Senator SYMINGTON. You talked in a voice that I thought you wanted us to hear.

Mr. GILBERT. No, I did, sir. And to Mr. Blum.

Senator SYMINGTON. All right. Please proceed.

#### INCREASING ADVERTISING

Mr. BLUM. Let me restate the question. You are writing to your superior in New York, and this is in the way of recommendation. Why did you not simply say, "We should increase our advertising," or "we pledged to increase our advertising," instead of mentioning a request for financial support which you have pledged?

Mr. HENDRIX. Mr. Blum, you will go over this with Mr. Berrellez. I ask you to keep in mind, I was asked to report to the executives with whom I discussed things over the telephone. They were fully aware of my interest in the advertising effort, and I am writing not for worldwide publication here, I am writing to people who understand what I am saying without having to ask me what do I mean by this?

Mr. BLUM. All right.

I would like to move to the section of this telegram that discusses the meeting with Arturo Matte. Were you present at that meeting?

Mr. HENDRIX. No, sir. That, again, is Mr. Berrellez.

Mr. BLUM. This is all Mr. Berrellez, so I will skip that section and go to the next part of this telegram.

Senator PERCY. Mr. Chairman, before we leave point 10 I would like to ask a general question of the witness. You describe these newspapers

as conservative newspapers. Is it well established, based on your knowledge of journalism in Latin America, that it is possible through the placement of advertising to affect the editorial policy of newspapers unlike the American press. [Laughter.]

I think—

#### PROMOTION OF CONSERVATIVE PRESS

Mr. HENDRIX. May I have the question again, sir?

Senator PERCY. The question is, Is it your understanding that it is possible in Latin America to a degree greater than many other countries, including our own, to affect the editorial policy of newspapers through the placement of advertising? Or is it your impression that these are conservative newspapers because of the very nature of their ideological beliefs and that you simply favor them because they have that fundamental belief? Do you place that advertising in an attempt to continue to keep them going in the direction that you would like to have them go?

Mr. HENDRIX. No, sir; we were not trying to influence editorial policy. You have to understand, and I am sure Mr. Levinson understands, that El Mercurio, for instance, I think is the oldest Spanish language paper in continuous publication in the hemisphere.

Senator PERCY. Were you worried mainly about the financial stability of the newspaper?

Mr. HENDRIX. Yes, sir. And the fact it may fail and, therefore, its editorial policy having no impact because of the possible cessation of the newspaper. Rather than placing ads to influence its policy, there was no attempt to influence its policy. There was public knowledge by the reporters and the Inter-American Press Association that El Mercurio, which was "the" newspaper in Chile and had been for generations, might go under, that the squeeze was on and newspapers in this country were seriously concerned that this great newspaper of this hemisphere might just suddenly die.

#### RISK OF DICTATORSHIP IN CHILE

Senator PERCY. Did you share the belief of trained professional observers that Chile would be "transformed quickly into a harsh and tightly controlled Communist state like Cuba and Czechoslovakia?" Did you share that belief and is that why you were conveying it as a credible forecast?

Mr. HENDRIX. Senator Percy, this is Mr. Berrellez' input in this instance. If you ask me personally did I share this belief, I thought it was possible it could happen.

Senator PERCY. Could you give your judgment as to what has actually happened, and how you assess the present situation in Chile? Would you describe it as a harsh and tightly controlled Communist state?

Mr. HENDRIX. Sir, I have not been in Chile since, for about 3 days before publication of the Anderson papers, as a matter of fact. [Laughter.]

So, all I know is what I can read in the papers I receive, and the stories that you read in the Times, the Post, the wire services. Things have become pretty grim with food lines and rationing. It is—you

could not compare it to a tight, harsh, repressive, Cuba-type situation, in all frankness. I do not think I could make that analogy. All I know is what I can read in the public print at this point. I have not had the time to visit and take a look and draw a conclusion.

#### THREAT TO U.S. SECURITY

Senator PERCY. Finally, would you care to comment or expand on the sentence, "This obviously poses a serious threat to the national security of the United States—Sol Linowitz, Senator Church, and others of the same thought notwithstanding."

Mr. HENDRIX. Again, this particular paragraph was typed input which I pasted in from Mr. Berrellez. I have a personal recollection of reading it in a news magazine, a vague recollection of reading a statement or a speech by both of these gentlemen named but I could not begin to recall now what they said exactly or—I honestly do not recall Mr. Berrellez, this is his paragraph.

Senator PERCY. You transmitted it but did not necessarily concur with it?

Mr. HENDRIX. Concur with this particular sentence?

Senator PERCY. Yes.

Mr. HENDRIX. As I say, Senator, I have a vague recollection that both of these gentlemen had made speeches or statements that were published, that I had read, and this did not raise any big questionmark with me when I pasted it together here.

Senator PERCY. I have no further questions.

#### BERRELLEZ MEETING WITH MATTE

Mr. BLUM. Mr. Hendrix, you had once before requested that management pledge financial support in August. Why was it necessary to repeat the request?

Mr. HENDRIX. I do not think that is a request. I just made a statement of fact that we had.

Mr. BLUM. "Pledged our support?"

Mr. HENDRIX. We have told them we would try to help them.

Mr. BLUM. Was that a reference to the August pledge?

Mr. HENDRIX. Yes, as far as I am concerned, that—I assumed this was going on, this was happening or was in motion.

Mr. BLUM. It is your testimony that the entire section of this telegram relating to the visit with Arturo Matte is not yours, including the summary?

Mr. HENDRIX. Sir?

Mr. BLUM. The summary of the meeting with Arturo Matte was written by Mr. Berrellez?

Mr. HENDRIX. Yes, sir; I do not believe I was in Chile at the time of that meeting discussed in this part of the memo.

Mr. BLUM. Now, whose responsibility are the recommendations at the end of the telegram?

Mr. HENDRIX. The end of the telegram? Those——

Mr. BLUM. "We will be advised what help we can contribute as present activities develop between now and early October."

Mr. HENDRIX. These five points, I wrote.

Mr. BLUM. All right.

Mr. HENDRIX. Physically wrote and it was my——

Mr. BLUM. Who advised you or who did you anticipate would advise you of the help you could give?

Mr. HENDRIX. Sir?

Mr. BLUM. Who did you anticipate would advise you of the help you could give?

Mr. HENDRIX. The phrase is: "We will be advised what help we can give." There are other references to people. Part of Mr. Berrellez' input here he said in his discussion with Matte we would be advised, I picked it up from that.

Mr. BLUM. Are you saying then, what you meant was——

Mr. HENDRIX. The same phrase.

Mr. BLUM. People close to Mr. Matte's political party, Mr. Alessandri's political party, would let you know what kind of help they wanted before October?

Mr. HENDRIX. I merely picked that phrase up from the——

Mr. BLUM. Was that the import of what you wrote?

Mr. HENDRIX [continuing]. From the text.

You are referring to what I wrote, the five points that follow?

Mr. BLUM. I am referring to advise as to the help that you can be anticipated to give.

Mr. HENDRIX. I am not sure I understand what you are asking.

Mr. BLUM. You said "We will be advised what help we can contribute."

Mr. HENDRIX. Yes.

Mr. BLUM. And I am asking if what you meant was that you anticipated that Mr. Matte and Mr. Alessandri's party would let you know what you, ITT, could do to help them.

Mr. HENDRIX. I was not talking with Mr. Matte, so I cannot answer.

Mr. BLUM. I know you were not. But is that what you meant by that sentence?

Mr. HENDRIX. I was referring back to the, what this says, we will be advised. It was a pickup so that obviously is what that means, plus——

Mr. BLUM. So the answer to my question is "Yes."

Mr. HENDRIX. Yes; plus the newspaper people if they had deeper trouble, I am sure I would be hearing from them again.

#### DIRECT ASSISTANCE RECOMMENDED

Mr. BLUM. Further along in the September 17 memo you say, "We have recommended, apart from direct assistance \* \* \*." What is the direct assistance you are referring to?

Mr. HENDRIX. Direct assistance, and this is very simple for me to explain, is that everyone that you talked to in Chile in this timeframe, every Chilean you spoke to was appealing, I will not say pleading, because it might sound demeaning but they wanted you to, in your best way possible, to get their message across back home, back to the States, to people in our Government, of what was happening in Chile and their concern. This ranges all the way from an elevator operator or to Chilean businessmen or people, there were a lot of people greatly concerned.

Mr. BLUM. For what purpose?

Mr. HENDRIX. They wanted the message carried back.

Mr. BLUM. For what purpose?

Mr. HENDRIX. Just for the U.S. people and the Government, mainly, to be aware of what was happening in Chile.

Mr. LEVINSON. You do not really mean, that all the Chilean people wanted this message conveyed. After all, because, Mr. Allende did win a plurality, so some of them must have been pleased with developments.

Mr. HENDRIX. I did not mean to imply all the people.

Mr. LEVINSON. These are the Chileans you talked to?

Mr. HENDRIX. Yes.

Mr. LEVINSON. A particular segment of Chilean society that you came into contact with, was very concerned.

Mr. HENDRIX. Yes, that is correct.

Mr. BLUM. I asked you to explain the term "direct assistance" because to me and, I think, to the native reader it would mean cash or something like a financial contribution directly to a politician.

Now you are telling me that what it means is carrying the message back to the United States. Is that your testimony? You had no other meaning for the words "direct assistance"?

Mr. HENDRIX. Mr. Blum, no one ever asked me for money. I was in no position to give anybody money. I was in no position to make policy, I was a reporter reporting on events, and as I saw the situation in that very short span of time, 2 or 3 days on this visit.

#### ADVERTISING INCREASE

Mr. BLUM. The recommendation to pump advertising into El Mercurio referred to, "we and other U.S. firms." Had you talked to any other representatives of U.S. firms in Santiago about this?

Mr. HENDRIX. No, sir.

Mr. BLUM. Was this meant to call attention of the New York office to the problem so they might contact other U.S. firms?

Mr. HENDRIX. If they so wished. That was my recommendation, and it was an appeal from Chileans.

Mr. BLUM. In parentheses the memo says "This has already been started." Was it in fact, started?

Mr. HENDRIX. I presumed that it had been.

Senator MUSKIE. Could I ask have you since learned it has not been, is that why—

Mr. HENDRIX. Senator, I learned subsequently that this advertising recommendation was—Mr. Gerrity had approved half of it, and then the Chilean Telephone Co. and other executives in New York dealing with the telephone company vetoed the whole thing for reasons—I do not recall all the reasons, but my recollection of one of them was that such a sudden increase in frequency in large ads would just attract too much attention to the telephone company.

Senator MUSKIE. So in fact, that project was never implemented at all?

Mr. HENDRIX. I learned some time later.

Senator SYMINGTON. Mr. Hendrix, you say, "We have recommended." Who did you recommend it to?

Mr. HENDRIX. I am recommending, I guess that should be we recommend, I was writing to Mr. Gerrity, I believe, at the time.

Senator SYMINGTON. You are writing it to your home office and you say "We have recommended."

Mr. HENDRIX. Yes.

Senator SYMINGTON. You would say "we would recommend," would you not?

Mr. HENDRIX. Senator, when I get back from a trip, it is customary for me to briefly converse on the telephone on the gist of what I am going to write about and normally I would go through these things in thumbnail fashion, and this is bad writing in this place, in this instance; I should say "We recommend."

Senator SYMINGTON. You then say "apart from direct assistance," and I agree with Mr. Blum the "apart from direct assistance," to the average person would mean cash. Then you go on to say "pump some advertising into Mercurio." And you say nobody asked you for money. Did you offer any money to anybody?

Mr. HENDRIX. No, sir, at no time. I was in no position, had no authority to do any such thing.

Senator SYMINGTON. Well, if you meant to say "We would recommend" instead of "we have recommended" as it is written here, I understand.

Mr. HENDRIX. For a writer it is not a very good example of grammar.

#### MOBILIZING PROPAGANDISTS

Mr. BLUM. Item 2.

We [will] help with getting some propagandists working again on radio and television. There are about 20 people that the Matte and Edwards groups were supporting and we should make certain they are revived. Allende now controls two of the three TV stations in Santiago and has launched an intensive radio campaign.

How did you propose ITT help to get the propagandists working?

Mr. HENDRIX. Mr. Blum, first of all, you misread that initial sentence. You said "We will help."

Mr. BLUM. It says, "We help."

Mr. HENDRIX. This is a recommendation that we help. This is again a recommendation that we talk with people with El Segundo and Mercurio and El Diario, I was told and I do not know this to be a fact to this day, that a number of people, the writers, the broadcasters, the commentators, not a great number, but some of the better ones, who would be considered to have conservative views, had decided to leave the country and throw in the sponge and it was hoped that we could, some of them had left, that we, as known newsmen, ex-newsmen, might see these people in Argentina, Venezuela, Peru, wherever it states and just really try to get them back to work.

Mr. BLUM. How did you propose to do that?

Mr. HENDRIX. Frankly, I do not have any idea but this was a recommendation for New York to think about.

Mr. BLUM. Were you recommending that they be paid money to go back to work.

Mr. HENDRIX. I was not recommending beyond what it said. I just send it up.

Mr. BLUM. You had no idea how that would be implemented; you just wrote that something should be done.



Mr. HENDRIX. I believe if I had had a suggestion at that time I would have put it down, but I figured this is one more thing to drop in the hopper and people up North can think about it and do what they may please.

#### FAMILY RELOCATION CENTER

Mr. BLUM. Now, Item 3:

Assist in support of a "family relocation" center in Mendoza or Baires for wives and children of key persons involved in the fight. This will involve about 50 families for a period of a month to 6 weeks, maybe 2 months.

Who was the family relocation center for?

Mr. HENDRIX. Mr. Blum, I am glad to finally get to this one because this has been exaggerated so far out of reality that being the author of that paragraph I found it difficult to believe some of the things I read.

The family relocation center involved this proposal put to us by Chilean, put to me, by a group of Chilean writers who wrote with rather strong views and a lot of punch and there had been a lot of threats, which were written about by visiting newsmen, published in Washington, in fact, of some of the threats that some of the more outspoken rightists, so to speak, writers had received, threats they had received.

Some of these fellows talked to me, I do not recall whether it was El Segundo or Mercurio, and said they would rather like to stay, they seriously would like to stay and keep right on writing in the same manner that they had, but they were sincerely fearful, scared, frightened, for their wives and children at that point, if they continued on the same course that they were presently on. There had been a threat to burn down the Mercurio building at this point in time, physically burn it down, from the organization known as MIR.

Mr. BLUM. Mr. Hendrix, just one last question about that. What fight were you referring to?

Mr. HENDRIX. Their fight, that they considered, these news people considered, they were in a fight.

Mr. BLUM. A fight to do what?

Mr. HENDRIX. To keep the paper, keep writing the way they wanted to write, keep the paper going. There was no physical fight. All these things are related to news media, all five items, and this is the context in which the word "fight" is used. They were writing some pretty strong editorials, columns, biting.

#### OCTOBER 16 MEMO TO GERRITY

Mr. BLUM. Mr. Hendrix, would you turn to a memorandum you dictated, apparently by phone, from San Juan to Mr. Gerrity, dated October 16. Was that in fact, dictated by you by telephone from San Juan?

Mr. HENDRIX. What is the date, sir?

Mr. BLUM. October 16.

Mr. HENDRIX. Your question was, was it dictated by me? Yes, I had come and I had spent just a couple of days, was on another swing, New York, Buenos Aires, Santiago, San Juan, New York, during the whole month I was out.

Mr. BLUM. Now, the memo says—

Mr. HENDRIX. It was dictated from San Juan because I must explain, there is no great mystery about this. At this point in time my residence was in Coral Gables, Fla., where I had lived for many years and I was commuting weekends home and either on the road or in New York. So I stopped off at San Juan, I had some business there for 1 day, and I went from San Juan home to Miami, so I dictated rather than wait until—

Mr. BLUM. That explains it completely.

Mr. HENDRIX. Until the following Monday afternoon.

#### VIAUX TOLD TO HOLD BACK

Mr. BLUM. If you will go to the fifth paragraph where you say, "It is a fact that word was passed to Viaux from Washington to hold back last week." What was that a reference to?

Mr. HENDRIX. Well, there were reports in Santiago which received pretty wide publicity that General Viaux, in fact, there were reports as far back as July that Viaux might be involved in a military plot or something.

Mr. BLUM. This reference was to Viaux holding back on that plot; is that it?

Mr. HENDRIX. Yes.

Mr. BLUM. How did you know he had gotten word from Washington to hold back?

Mr. HENDRIX. I said it is a fact, I considered it a fact, because of the source of the information who told me.

Mr. BLUM. What was the source of the information?

Mr. HENDRIX. This was, could have been one of two Chileans whom we discussed this morning, I am not sure which at this point 3 years later, but it had to be one or the other.

Mr. BLUM. But it was definitely a Chilean, not someone in the employ of the United States?

Mr. HENDRIX. No, sir. The Chilean, a number of Chilean newspapermen as in this city or any country, any capital, had their own contacts for all sides of the political spectrum, military, both sides of the military, dissident.

Mr. BLUM. You say this so firmly—"It is a fact"—which is why I am pressing you.

Mr. HENDRIX. I may have been guilty of exaggeration, I considered this source to be totally responsible.

Mr. BLUM. And then you say:

Emissaries pointed out to him that if he moved prematurely and lost, his defeat would be tantamount to a "Bay of Pigs in Chile."

Who were the emissaries?

Mr. HENDRIX. That, I do not know, sir.

Mr. BLUM. You were told someone with authority—

Mr. HENDRIX. I was told.

Mr. BLUM [continuing]. Had gone to Viaux and said to hold back or there would be a Bay of Pigs?

Mr. HENDRIX. Yes, sir; that is what I thought.

Mr. BLUM. Is it not a fact that later General Schneider was shot and General Viaux was arrested in connection with that shooting?

Mr. HENDRIX. I know it is a fact that General Schneider was shot but I do not recall the circumstances of Viaux's arrest.

#### HENDRIX ASSIGNMENT

Mr. BLUM. Mr. Hendrix, what was the nature of your assignment in reporting from Chile? What did you understand your mission in Chile to be?

Mr. HENDRIX. My mission in Chile?

Mr. BLUM. Yes.

Mr. HENDRIX. My first mission was to coordinate the public relations and advertising programs for Chilteleco, the Standard Electric, our factory, and hotels. We had two hotels there at that time, one which was under construction and about to be inaugurated, I had some planning work to do for our press, I cannot say press party because it was rather limited in size, it was a press walk-through and cocktails, buffet. I had to make some arrangements for that. As I say, we were under constant attack at the telephone company, well, from all newspapers, as a matter of fact, we had barbs coming from all directions. That was my primary responsibility.

Secondarily, was to report on developments that I read, heard, saw.

Mr. BLUM. What I am getting at is this: If your mission was principally to be a PR man and to report on developments that might affect the company financially, were you not rather heavily involved in the political intrigue?

Mr. HENDRIX. No, sir; I am not heavily into intrigue, I am reporting on events that occurred. Many of the same events were printed in U.S. publications in this city and other cities around the country.

Mr. BLUM. But you were discussing specific steps to be taken to keep certain kinds of voices going; you were discussing the kind of support particular candidates might need; you were analyzing the detail of who might win the election in Congress or the breakout in Congress. Is this routine reporting for a company representative traveling through a foreign country as a public relations man?

Mr. HENDRIX. Analyzing what was happening in the country, is that routine?

Mr. BLUM. In this kind of detail?

Mr. HENDRIX. Mr. Blum, as I said at the very beginning, I have been a reporter half my adult life at least, and this is just second nature. I pick up, listen, and as much input as possible New York is interested in having as much input as possible from all those who do traveling. I see nothing unusual in my reporting.

Mr. BLUM. And you see nothing unusual in the recommendations you made?

Mr. HENDRIX. No, sir. The recommendations were made to me in the sense of newsmen talking to a still newsmen in their mind perhaps, knowing realistically I was working for a corporation but for so long I had been a newsmen in the area.

#### "GREEN LIGHT" CABLE

Senator MUSKIE. Mr. Hendrix, I have been listening with interest to your explanation of these two documents, and your explanation

converts them into something so different that I find it hard to picture them as objective reporting.

Let's go back to the fifth paragraph of the September 17 cable. As I recall your description of the conversation——

Mr. LEVINSON. That is from you and Mr. Berrellez to Mr. Gerrity.

Senator MUSKIE. Yes; in which you describe your conversation near the Presidential palace. I would like to ask you about that fifth paragraph. The first sentence reads:

Late Tuesday night (September 15) Ambassador Edward Korry finally received a message from State Department giving him the green light to move in the name of President Nixon.

Now as I recall your description this afternoon of that conversation, your informant did not use the words "State Department" or "President Nixon."

Mr. HENDRIX. No, sir; he did not.

Senator MUSKIE. Is that correct?

Mr. HENDRIX. This was my interpretation and my own solution of this, the language is mine.

Senator MUSKIE. All right.

What language in that message did you interpret to mean what I just said in that first sentence in the first paragraph?

Mr. HENDRIX. The gentleman, as I said, he told me that the Embassy, he had heard that the Embassy, in his position I knew the Embassy had to be, I concluded had to be the Ambassador, the Ambassador was Mr. Korry, this is my deduction from past experience in discussing matters with people of his role.

Senator MUSKIE. What I am really interested in——

Mr. HENDRIX. He did not say Ambassador Korry, he just said the Embassy, and I knew what that meant.

Senator MUSKIE. All right. Now what word did he use that you knew meant State Department and President Nixon?

Mr. HENDRIX. Again, this is an assumption, and I had to say "Is this for real?" because he made the emphasis that it was very high and was very hard, I had been led to believe from listening to newspaper friends that I had seen on this quick trip that Korry was not getting much response to any messages he was sending to Washington. So I presumed that he had gotten something from high. And he had emphasized that it was high, very high place, I interpreted this to mean State and I guessed on Mr. Nixon.

Senator MUSKIE. That is really stretching the interpretation pretty far. Is it not? "Very high source" to you means that the State Department received a message from President Nixon giving Ambassador Korry the green light to move? That is really a far-fetched interpretation, is it not, Mr. Hendrix?

Mr. HENDRIX. Senator, for all I know, it could be a completely wrong interpretation at this point in time.

#### INTERPRETING THE NATURE OF THE COMMUNICATION

Senator MUSKIE. All right. Then let me ask you about the second sentence:

The message gave him maximum authority to do all possible—short of a Dominican Republic-type action—to keep Allende from taking power.

Now what language in that conversation gave you that detailed an interpretation of the nature of the communication to the State Department from President Nixon?

Mr. HENDRIX. Again, rightfully or wrongly, interpreting this is my language, not his, the fact that it was hard, a very hard message, a tough message.

Senator MUSKIE. So because it was a very——

Mr. HENDRIX. I took this to mean that he had received some instructions to do what, I do not know.

Senator MUSKIE. So the very tough message——

Mr. HENDRIX. My language of it.

Senator MUSKIE. This meant that he was given maximum authority to do all possible, short of a Dominican Republic-type action, to keep Allende from taking power?

Mr. HENDRIX. I stuck in that language, "not necessarily a Dominican Republic-type action," to emphasize to Mr. Gerrity that nobody down there is talking about sending troops or——

#### NATURE OF HENDRIX REPORTS

Senator MUSKIE. You know, I do not blame Mr. Blum for assuming that if you do this sort of thing in your communication back to your superiors, that you are doing more than reporting factually what you have observed or heard. You are interpreting in a way which could have a significant political effect upon the policy of your company.

I mean this suggests a rather detailed knowledge of a very specific message that passed between President Nixon and the State Department and on to the Ambassador. Now does this not go far beyond a report on something you heard or observed?

Mr. HENDRIX. Sir, as I say, I may have exaggerated the import of what this man had heard, I do not know to this day whether it is factual or exaggeration. I do not know whether anybody followed through to find out.

I believed this man, I interpreted him because of his position, to know that he heard a message that the Embassy received that was very strong, very hard message from the very high source in Washington. I put this together in my own mind, rightly or wrongly, that he is telling me that, without naming the Ambassador, that he had received some sort of a message to enable him to take some action. What action, I did not pursue.

#### KEEPING CIA INFORMED

Senator PERCY. Senator Muskie, may I interject here to follow up on the line of questioning that you pursued? Your information, Mr. Hendrix, is so detailed and so specified. Does this explain why Mr. Broe and the CIA were most interested in keeping in close contact with you and even sending messengers over to get your own messages?

Do they regularly look upon you as a source that they can draw upon?

Mr. HENDRIX. I do not know Mr. Broe, I never heard his name until all this business started. I wrote this memo to Mr. Gerrity, and if you will note, nobody in the Washington office—I had not the slight-

est knowledge in the world that it was going to the Washington office or going to anybody else than Mr. Gerrity and the people that I marked for copy.

#### CHANGE OF U.S. POLICY INDICATED

Senator PERCY. Is it possible that the information you are providing is the kind of information that the CIA does not have, and that they are using you to find out what the Government's policy is? Because this looks pretty direct and pretty specific and looks as though it is a dramatic change of American policy that would trigger all sorts of actions and give strong support to actions that companies might take and to the ad hoc committee and everything else. So how you gain this information and the transmittal of it back and the credence that it is given is extremely important, and I think it is important that we determine how you get that information and how you come to those conclusions.

Mr. HENDRIX. The conclusions I draw are based on association over a period of time and a degree of confidence and trust that is build up in your source. As any newsman learns over a period of time, some people you can believe and some you let it go right through one ear and out the other.

How this got distributed, you said it was given to Mr. Broe, I did not know that until I heard about it because of the subsequent uproar.

#### CIA DEBRIEFING PRACTICES

Senator MUSKIE. If the Senator will yield; were you unaware of the practice of the CIA to debrief representatives of multinational corporations on their activities in the host countries?

Were you unaware of that in your long association with this kind of work?

Mr. HENDRIX. I cannot recall personally ever sitting through a debriefing.

Senator MUSKIE. But were you unaware that there was an inevitable exchange of information with the representatives of these companies?

Mr. HENDRIX. No, sir.

Senator MUSKIE. Especially in Latin American countries with the CIA?

Mr. HENDRIX. Well, obviously you are aware that the Agency is all around the world.

Senator MUSKIE. If you can read as much as you did in the words "high source" and "hard message," if you can read that much into those words, surely you must have been aware of this kind of communication between representatives of your company and the CIA.

Mr. HENDRIX. Senator, I can honestly tell you, I knew nothing of Mr. Geneen's meeting with Mr. —

Senator MUSKIE. No, I was not asking that.

Mr. HENDRIX. Anything at the CIA.

Senator MUSKIE. I was asking about the general practice.

Mr. HENDRIX. No, sir; this was never discussed with me.

Senator MUSKIE. Mr. Levinson?

## PREVIOUS ASSOCIATION WITH CIA

Mr. LEVINSON. Mr. Hendrix, you were hired by ITT because of your long association and expertise in Latin American affairs. Is that not so?

Mr. HENDRIX. Well, I like to think that I had some expertise. I was hired basically, I think, basically because I was considered a good objective reporter. I had a pretty good track record.

Mr. LEVINSON. I am going to ask you a direct question.

Have you ever been employed by the CIA in any capacity whatsoever?

Mr. HENDRIX. None whatsoever.

Mr. LEVINSON. Not as a subagent, not as a contract agent?

Mr. HENDRIX. None whatsoever; no, sir.

Mr. LEVINSON. You have not been employed as a cutout?

Mr. HENDRIX. No, sir.

Mr. LEVINSON. All right.

## EMBASSY SOURCES

Did you get any of this information from within the U.S. Embassy? I do not mean physically within the U.S. Embassy but from any employee of the U.S. Embassy?

Mr. HENDRIX. What information, Mr. Levinson?

Mr. LEVINSON. With respect to this "green light" cable?

Mr. HENDRIX. No, sir.

Mr. LEVINSON. With respect to knowledge that the U.S. military had promised support for the Chilean military?

Mr. HENDRIX. No, sir.

Mr. LEVINSON. Did you talk to anyone, to the station chief at that time, in the U.S. Embassy?

Mr. HENDRIX. I knew Ambassador Korry. I knew Schlaudemann.

Mr. LEVINSON. Mr. Schlaudemann was who?

Mr. HENDRIX. The Deputy Chief of Mission. I knew him from the Dominican Republic when he was working for Ambassador Bunker, and I knew Carl Davis because I had previously seen him in Panama and occasionally, once at a cocktail party at Davis' house or somebody in the Embassy was leaving or coming, I forget which, there were a whole number of Embassy personnel there that I could not recall by name but familiar faces.

No; none of this information came from Embassy sources. The anecdote came indirectly as we have discussed this morning about the—Mr. Korry.

Mr. LEVINSON. Whatever I know, everybody else should know. So let's get this question of the anecdote or whatever you told me this morning out on the table.

Essentially what I am asking is this: Did you have conversations with people within the Embassy who, to your knowledge, were CIA agents?

Mr. HENDRIX. No, sir; not to my knowledge.

Mr. LEVINSON. With anyone that you knew from the Dominican Republic?

Mr. HENDRIX. The only person from the Dominican Republic--persons were Carl Davis, who had served there in the days when Trujillo was alive, and Schlaudemann was there with Ambassador Bunker for a period of months.

#### ITT REPORTING DEMANDS

Mr. LEVINSON. All right. Judging by the kind of reporting you were doing, the ITT was not content to rely upon conventional news sources. In other words, the reporting of Juan De Onis of the New York Times, James Goodsell of the Christian Science Monitor, and Lewis Diuguid of the Washington Post was not considered that adequate in terms of what was going on in Chile, what was the political configuration, what was likely to happen. ITT wanted its own men on the spot.

Did you yourself feel that you had to produce inside information in order to be credible within your own company?

Mr. HENDRIX. No, I did not have that feeling, no. I still do not have it.

Mr. LEVINSON. Did you feel that you had to show that you had access to Chilean sources that were not otherwise available to other conventional American reporters?

Mr. HENDRIX. No, sir. ITT hired me as a newsman; they knew my background originally and I presume they knew I had established over some 20-odd years' contacts in countries.

Mr. LEVINSON. To your knowledge, does ITT have people who do this kind of in-depth political reporting for every other region of the world? Do you have counterparts in Europe?

Mr. HENDRIX. I have no knowledge of that. I do not see reports from other parts of the world in my department.

I do not have any--

Mr. LEVINSON. Did you have a counterpart for Western Europe?

Mr. HENDRIX. Well, let's see; the structure is--I believe there is a vice president of public relations for ITT, Europe, and what his staff is, I do not know.

Mr. LEVINSON. For the Far East, the Middle East?

Mr. HENDRIX. There is a Far East public relations director, Hong Kong, I think.

Mr. LEVINSON. But you were expected to come up with this kind of detailed reporting; that was part of your job in the terms of what you felt was expected from you. Is that a fair assessment of what was expected from you?

Mr. HENDRIX. I cannot say that it was expected of me. I did it as a natural course of events; done it most of my life, reporting on political and economic developments in countries where we had responsibility or interests.

Senator MUSKIE. Mr. Hendrix, you made a comment in your answers that what you were doing was reporting what was known to newsmen.

Mr. HENDRIX. To a large extent, Senator.

#### "GREEN LIGHT" CABLE CONTRADICTS U.S. HANDS-OFF POLICY

Senator MUSKIE. Now with respect to that paragraph relating to the "green light" to Ambassador Korry: on September 24, 1970, Joseph C.

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Harsh, writing in the Christian Science Monitor about the Chilean election, said, among other things:

So it is merely a passing footnote to history that Richard Nixon is the first American President who has been able to view with nonalarm the winning of a re-election of the American hemisphere by an avowed Marxist.

Milton Viorst in an article in the Washington Evening Star, on September 26, 1970, said:

All the evidence indicates that the strict hands-off attitude which the Administration has taken as its public posture has been matched prestigiously by its private behavior.

Now match that against that paragraph which said that:

Ambassador Korry finally received a message from State giving him the green light to move in the name of President Nixon. The message gave him maximum authority to do all possible—short of a Dominican Republic-type action—to keep Allende from taking power.

When you get that kind of public impression of the administration's policy, it does not seem to me that you would report such a specific change in that policy without pretty specific information.

Mr. HENDRIX. Senator, I reported it as I heard it. It was one more piece of input. If I considered this so urgent, bulletin type material, I would have sent a separate message perhaps or led off with it, but it just fell down in paragraph 5, I guess it is. I was told this information was one more bit of input, which is all my job is, in this phase of my job, is to just report whatever, somebody else in New York is going to read it and decide whether they want to pursue it, investigate it, verify it; I am just reporting from the scene what I hear, what I see, and, based on experience, my own editorial comment.

Senator MUSKIE. Would it not have been more accurate to have quoted the words that actually had been used and then added your interpretation?

Mr. HENDRIX. In retrospect, I would have been much wiser to do just that.

Senator CHURCH [presiding]. Any further questions?

If not, thank you very much for your testimony.

Have you any further questions?

#### ASSESSMENT OF MR. MEYER

Mr. LEVINSON. Yes, I have a further question, in connection with your October 30, 1970, memorandum to Mr. Gerrity. You are reporting to Mr. Gerrity on Mr. Meyer, the Assistant Secretary of State, and you wind up by saying:

"As stated in the beginning, I consider Meyer one of the weakest yet in the long string of Assistant Secretaries. I also believe it would be better for us if he returned to Sears Roebuck."

I take it your assessment of Meyers' performance was based on the fact that Meyers was known to have opposed any policy of interference in Chilean political processes during the election period. Is that fair?

Mr. HENDRIX. No, sir. I think that would be a completely erroneous assumption on your part. This is a personal, my personal viewpoint, rightly or wrongly, on Mr. Meyer based on my news experience. This had nothing to do whatever with what he was doing or not doing in the context of Chile.

If you read the paragraph before this, I would like to read back to you:

Previously, he was a Sears Roebuck executive in Latin America, with about 14 years residence in Bogota, Colombia, where he performed as an outstanding merchandiser in the Sears Roebuck joint-effort program in Latin America.

And I sincerely believed that then and I believe it now.

Senator CHURCH. You thought he was a better merchandiser than an Assistant Secretary of State?

Mr. HENDRIX. What is that, sir?

Senator CHURCH. You thought he was a better merchandiser than an Assistant Secretary of State?

Mr. HENDRIX. Personally, yes, sir. That is just the opinion—

Mr. LEVINSON. Was it customary though to make an evaluation of an Assistant Secretary of State for Latin America, whether or not he was good or bad?

Mr. HENDRIX. Mr. Levinson, I believe if you read the first sentence of that, it says:

Per your request for a personal viewpoint sketch of Charles Meyer, following are some of my thoughts:

Obviously I was asked for a personal viewpoint of Mr. Meyer and that simply is what it was.

Mr. LEVINSON. Perhaps I will defer this until we discuss with Mr. Gerrity the question of why it was necessary to pin down all of these things.

Senator CHURCH. All right, if there are no further questions? Thank you very much.

Our next witness is Mr. Bob Berrellez.

Mr. Berrellez, will you please raise your right hand to be sworn? Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BERRELLEZ. I do.

Senator CHURCH. Mr. Blum, will you commence questioning for the record.

Mr. BLUM. For the record, Mr. Berrellez, will you give your full name and address?

**TESTIMONY OF ROBERT BERRELLEZ, DIRECTOR, INTER-AMERICAN RELATIONS, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. BERRELLEZ**

Mr. BERRELLEZ. My name is Robert Berrellez; I live in Buenos Aires, Argentina.

Mr. BLUM. What is your present occupation?

Mr. BERRELLEZ. Director of Inter-American Relations.

Mr. BLUM. What does that entail?

Mr. BERRELLEZ. The responsibility for corporate relations, advertising in the South American area.

Mr. BLUM. With ITT, based in Buenos Aires; is that right?

Mr. BERRELLEZ. That is right.

Mr. BLUM. How long have you held that job?

Mr. BERRELLEZ. Since 1970, January.

Mr. BLUM. What did you do before that?

Mr. BERRELLEZ. I worked for the Associated Press.

Mr. BLUM. How long?

Mr. BERRELLEZ. Twenty-two years.

Mr. BLUM. In Latin America?

Mr. BERRELLEZ. Not all of it, no, sir.

Mr. BLUM. How much of it in Latin America?

Mr. BERRELLEZ. Fifteen, sixteen years.

Mr. BLUM. A considerable length of time. You are considered a Latin American specialist?

Mr. BERRELLEZ. I do not consider myself a Latin American specialist.

Mr. BLUM. Were you traveling in and out of Santiago frequently in the period of August and September 1970, from your base in Buenos Aires?

Mr. BERRELLEZ. Yes, I was.

Mr. BLUM. What information was requested of you from the home office with respect to political developments in Chile?

Mr. BERRELLEZ. Are you finished with the question?

Mr. BLUM. Yes.

Mr. BERRELLEZ. Nothing specific. My instructions, as I recall them, were to report on economics, political developments and on the, any wrinkles affecting our operations there.

#### ELECTION PERIOD REPORTING

Mr. BLUM. There is a report dated September 1, 1970, from you to Mr. Hendrix, and I would like to turn to point 15 in that cable. This is a cable you sent, obviously summing up the situation in Chile.

You say:

From the uppermost Chilean intelligence sources we have learned that the extremist elements are planning a three-stage sabotage and violence maneuver in Santiago and larger urban centers in the event the vote starts going strongly for Alessandri. We have learned they'd start their movement sometime after the polls close Sept. 4 and after a definite trend was set in, expected around midnight.

What were the uppermost Chilean intelligence sources you were referring to?

Mr. BERRELLEZ. These were Chilean people.

Mr. BLUM. In the government?

Mr. BERRELLEZ. One would have been in the government, yes, sir.

Mr. BLUM. And you considered them to be highly accurate?

Mr. BERRELLEZ. Because of his position and his duties I would say that he would be.

Mr. BLUM. You then proceeded, in the period of the next several days of that election, to report on an almost continuous basis. There are a series of cables that follow, where you give the vote as it is being tabulated. The instructions are to an ITT official at his home number.

Mr. BERRELLEZ. Yes.

Mr. BLUM. Do you have any idea of why the company was interested in getting that information that rapidly, why no one was willing to wait until the following morning?

Mr. BERRELLEZ. I have no idea, sir. The instructions were sent for me and I followed them.

Mr. BLUM. You were given instructions to get very careful reports as quickly as you could?

Mr. BERRELLEZ. As quickly as possible after the election.

Senator CHURCH. Your instructions were to report on an hour-by-hour basis?

Mr. BERRELLEZ. No; I believe that I did that on my own because from the very first minutes of this election, it looked like it was going to be very close, and I wanted to make sure that I could send something that would not convey the wrong image to them.

Mr. BLUM. Who is Dunnett, the man you were instructed to relay the information to?

Mr. BERRELLEZ. He was Mr. Hendrix' assistant in New York.

#### PURPOSE OF REPORTING

Mr. BLUM. Why was this information of such importance to the public relations department?

Mr. BERRELLEZ. I can only assume, sir. It would not be a fair answer because I could be very wrong, but if you are interested in my assumption, I will give it gladly.

Mr. BLUM. Yes, I am.

Mr. BERRELLEZ. I assume the public relations department informed the rest of the corporate body of what is going on and this is the natural place for information to fall in and then be disseminated.

#### MEETING WITH MATTE

Mr. BLUM. On September 7, 1970, you sent a cable to Mr. Hendrix in New York spelling out the situation in Chile. In that cable you discuss a very confidential and private session with Dr. Arturo Matte. Mr. Alessandri's brother-in-law. The Alessandri referred to in this cable was, I take it, the Alessandri who was a candidate for President of Chile?

Mr. BERRELLEZ. Yes; that is right.

Mr. BLUM. Who arranged that meeting with Dr. Matte?

Mr. BERRELLEZ. My recollection is that I arranged it, sir.

Mr. BLUM. Why did he agree to see you?

Mr. BERRELLEZ. I do not know that that thought ever occurred to me as to whether he would agree or not to see me. I went up there.

Mr. BLUM. Why would Matte brief an American corporation on a candidate's strategy?

Mr. BERRELLEZ. I asked him to.

Mr. BLUM. And you think that he would willingly give that information without some other interest?

Mr. BERRELLEZ. I assumed that, and this is purely an assumption on my part, that there was no, there would be no hesitation on his part to give me this information. If he were going to be reluctant, he would simply say go away and I would.

Mr. BLUM. Do you think he was looking for your support.

Mr. BERRELLEZ. I do not recall what I was thinking at the time, sir.

Mr. BLUM. Why did you want to know his strategy?

Mr. BERRELLEZ. I wanted to get a very precise picture of what was going on in Chile, and he was a good source.

Mr. BLUM. Was that also part of the instruction from New York?

## USE OF DETAILED POLITICAL INFORMATION

Mr. BERRELLEZ. No; but by training for many years, when you draw a picture I like it to be very good and clear.

Mr. BLUM. What possible use could information like this have for an American corporation?

Mr. BERRELLEZ. I do not know, sir. I did not ask. I was told to report information and I reported it.

Mr. BLUM. You were told to report information. They did not tell you how detailed? You did it on your own initiative; you went into this detail?

Mr. BERRELLEZ. Excuse me, would you mind going back on your question, sir.

Mr. BLUM. You told me first that you were told to report this information.

Mr. BERRELLEZ. Yes.

Mr. BLUM. But no one told you what detail or what depth to go into?

Mr. BERRELLEZ. No, no.

Mr. BLUM. And now you are saying you are not quite sure what would be done with the information: you were simply told to get it?

Mr. BERRELLEZ. That is right.

Mr. BLUM. Is that right?

Mr. BERRELLEZ. That is right.

Mr. BLUM. I am trying to find out what you think the possible uses of this kind of detailed political information would be.

Mr. BERRELLEZ. I do not know that that ever occurred to me, sir, even with the Associated Press when I was reporting, I was not sure they were going to use the stories I was sending up and it did not really interest me a lot.

Mr. BLUM. Was the strategy that he outlined to you at that meeting later called the "Alessandri formula"?

Mr. BERRELLEZ. Yes.

## ALESSANDRI FORMULA COULD CAUSE BLOOD BATH

Mr. BLUM. Paragraph 9 of your September 7, 1970, cable to Mr. Hendrix reads as follows:

The Alessandri camp is fully aware of the consequences of such a maneuver—a bloodbath since the far left extremists would not take this without reacting violently. Dr. Matte, acknowledging this, said this was necessary to prevent communism from taking over the country.

I gather that it was your assessment that the Alessandri formula, if implemented, would lead to disaster?

Mr. BERRELLEZ. I inferred this from what I heard, from what was in the papers. In fact, what date is this—

Mr. BLUM. This was September 7.

Mr. BERRELLEZ. This was something very well-known in Santiago; everybody talked about the possibilities that the far left would not take too kindly to any effort to block Allende.

Mr. BLUM. So you were on notice in effect that any effort to promote the Alessandri formula might well result in a bloodbath in Chile?

Mr. BERRELLEZ. Well, I was aware that, as I think I appreciated the fact that something could happen if an effort was made to block the election.

Mr. BLUM. And you also advised your headquarters, did you, that a reliable source was telling you to proceed slowly, not to panic if pressures are strong in the beginning?

Mr. BERRELLEZ. That is right.

Mr. BLUM. You yourself had taken an informal sounding with sources in the Allende camp, and they indicated that ITT could expect to negotiate with Allende. You noted that, and you told that to your home office?

Mr. BLUM. So, in sum, you warned that the Alessandri formula could be a disaster, that it was wise to proceed slowly, and that Allende was possibly willing to negotiate?

Mr. BERRELLEZ. That is right.

#### ALLENDE CALLED "SOFT LINING MARXIST"

Mr. BLUM. And also, in this first post, the election assessments you recorded, you describe Allende as a "soft lining Marxist who has preached and stuck by a nonviolence stance." Is that correct?

Mr. BERRELLEZ. That is right, that is my assessment, yes, sir.

Mr. BLUM. You state that he is "expected to proceed cautiously in implementing what he calls his 'anti-imperialist, anti-capitalist, national' government program. Strong outside political and economic pressures," you state, "resulting in unemployment and unrest internally will certainly strengthen the hand of the left-wing extremists and convert Allende into merely a puppet of a machine dedicated to violent anti-U.S. revolution on a hemisphere scale."

So your first assessment for the company about Allende was that he was cautious, that he was soft lining, and that putting pressure on him might make matters considerably worse than if things were left as they were. Is that correct?

Mr. BERRELLEZ. That is correct.

Senator CHURCH. I wonder, Mr. Berrellez, if you could explain why it was felt, as you reported, that a resort to the Alessandri formula, so-called, would be likely to result in violence and upheaval? Was that because the Alessandri formula was at variance with the normal practice in Chile, the normal practice being that the man who received the most votes had customarily become the President?

Mr. BERRELLEZ. To my recollection, Senator, I rather viewed it from another direction.

The far left, the MIR, the MAPU, and the other groups that were tugging at Allende, to pull him further left, they were afraid, as I understood it, that they would be too moderate in the application of their idea of socialization of the country, and we heard from various sources that they were prepared in the event that if either Allende became too moderate or if Allende was blocked, prevented from taking office, that there would be, in effect, a revolution and, as a matter of fact, this was borne out by Mr. Allende himself within days of this memo. He went on national television and he urged the workers, the farmers to take the land, to take the factories, to take the plants if he was prevented from taking office.

# ALLENDE PREDICTED CAMPAIGN OF FEAR

Mr. LEVINSON. Mr. Chairman, perhaps you would like to have Mr. Allende's observations in that period, which are to be found in a UPI story filed from Santiago on September 10. In the story Allende is quoted as saying:

This "campaign of fear," newly launched, would not stop there, but would, in future, find new means of sabotage, would hold up the imminent threat of workers being discharged, payment of salaries being suspended, and other commitments being broken, and even worse things to come.

So Allende himself had forecast as early as September 10 a campaign of economic instability, to try to prevent him from being confirmed by the Congress. That is the purport of his address on September 10, is it not?

Mr. BERRELLEZ. Yes, that is correct.

Mr. BLUM. Turning to the September 17 cable from you and Mr. Hendrix to Mr. Gerrity, which we were discussing before with Mr. Hendrix, we had several parts of this attributed to you. I wonder if we could go to those parts which were attributed to you and find out just what you meant by them.

First of all, which parts of this do you claim credit for?

Mr. BERRELLEZ. I would like to take credit for none of it. [Laughter.]

Mr. BLUM. Well, let's begin with a part specifically credited to you by Mr. Hendrix.

Mr. BERRELLEZ. All right.

## ASSESSMENT OF CHILEAN MILITARY

Mr. BLUM. No. 6 of your "significant points" on the Chilean situation reads:

Is the Chilean military capable of coping with nationwide violence or a civil war? Opinion is divided on this in Santiago. Korry has said he considers the armed forces a "bunch of toy soldiers".

First, where did you get that quote from Ambassador Korry about the armed forces being a bunch of toy soldiers?

Mr. BERRELLEZ. Well, I am going to have to say that this was conversation among the news crowd. You hear this in the hotel, and I am not sure, and I will not put it in his mouth, but I am sure that Mr. Korry himself at one point in talking to us made this reference.

Mr. BLUM. He said something along those lines?

Mr. BERRELLEZ. Something along those lines.

## U.S. MILITARY ASSISTANCE

Mr. BLUM. The paragraph goes on: "We know the Army has been assured full material and financial assistance by the U.S. Military Establishment."

How did you know that?

Mr. BERRELLEZ. Well, this goes back to my conversation with Dr. Matte. He was not the only source of this. There was another Chilean who, more or less, said the same thing. I used the word "we know" as I used it because we felt certain that this information the man was giving us was the facts.

Senator CHURCH. The man you refer to is Matte?

Mr. BERRELLEZ. One of them.

Senator CHURCH. One of the two?

Mr. BERRELLEZ. Yes, sir.

Senator CHURCH. Matte was the brother of Alessandri?

Mr. BERRELLEZ. Brother-in-law.

Senator CHURCH. He was the brother-in-law of Alessandri?

Mr. BERRELLEZ. That is right.

#### NEED FOR SUPPORT TO ANTI-ALLENDE EFFORT

Mr. BLUM. There is another paragraph here that Mr. Hendrix gave you credit for, point 9:

The anti-Allende effort more than likely will require some outside financial support. The degree of this assistance will be known better around October 1. We have pledged our support if needed.

What is the reference there?

Mr. BERRELLEZ. What is the reference to what, sir, what part of that?

Mr. BLUM. The reference to financial support.

Mr. BERRELLEZ. I do not see it.

Senator CHURCH. Paragraph 9.

Mr. BERRELLEZ. I see it. You are referring to the anti-Allende effort would require, more than likely, some financial support.

I had told Mr. Hendrix it was my opinion from talking to my various contacts that money was drying up inside Chile for any help for these people. It was not available. People were leaving the country, and that if these people were to be helped, perhaps you could contact Chileans who were living outside the country or other sources.

Mr. BLUM. By "these people," who do you mean, the politicians of the Alessandri camp?

Mr. BERRELLEZ. I was talking about in reference that Mr. Hendrix put it. This is a news crowd, the people who would stay behind and oppose.

Mr. BLUM. By "these people," do you then mean newspaper people only?

Mr. BERRELLEZ. Newspaper people, and radio, TV people, magazine writers.

Mr. BLUM. Do you say flatly that you were not referring to any politicians here?

Mr. BERRELLEZ. I say flatly that I am not referring to any politicians in that.

#### PLEDGE OF SUPPORT

Mr. BLUM. "We have pledged our support if needed." What was that pledge of support?

Mr. BERRELLEZ. I believe Mr. Hendrix answered that. I think he used the other, the editorial "we"—I do not know that—

Mr. BLUM. He did credit the paragraph to you. Would you answer that, or is that his line?

Mr. SCHAFER. It is not accurate, Mr. Blum.

Mr. BERRELLEZ. I think Mr. Hendrix said the last sentence was his.



## DISTINCTION BETWEEN SOURCES

Mr. LEVINSON. Mr. Berrellez, I would like to clarify a couple of things.

One, in your reporting you make a pretty clear distinction, do you not, between simply reporting summaries of news agency reports and what you consider reliable intelligence sources? Is that not a fact?

Mr. BERRELLEZ. Sometimes.

Mr. LEVINSON. Right.

For example, in your memo to Mr. Theofel of December 2, 1971, you open by saying:

The information on Chile is largely second-hand because I've not been on the scene in two weeks. Most of it comes from the news agencies. Some of it (marked +) —

and you have a mark there—

is from the most reliable of intelligence sources here.

"Here" means Buenos Aires, in this instance? You are reporting?

Mr. BERRELLEZ. Yes.

Mr. LEVINSON. Further on in the same memo—and this is one of the paragraphs marked with a +, which indicates that it is an intelligence source—you say:

This report was not well received in Argentine Casa Rosada circles either because Finch—

the former Presidential Assistant Robert Finch—

spent a good portion of his time here with President Lanusse, and if Finch got any "feeling" for the Chilean situation this would be, unavoidably, the best source. Lanusse has been displeased with some other Finch indiscretions, like attributing remarks to the Argentine President that had been made in confidence.

Paragraph 11 goes on to set forth information about "several economic plans in the works, not just one, from which Lanusse would extract the final version." Both of these paragraphs are marked with a "+" which means they came from other than news sources.

So you make a clear distinction between just news sources and intelligence sources when you report to the company? That + indicates that it is more than a news source.

Mr. BERRELLEZ. When you say news sources, you are talking about journalists, right?

Mr. LEVINSON. Yes; other journalists, right.

Mr. BERRELLEZ. All right.

## ACCESS TO INTELLIGENCE SOURCES

Mr. LEVINSON. Now, I mention that because in one of your early cables to Hendrix dated September 1, 1970, you refer to "uppermost Chilean intelligence sources." That is to alert the company that this is something more than a journalist's conversation, is it not?

Had you gotten information from within the Chilean military or police intelligence? Is that what that means?

Mr. BERRELLEZ. Police, not intelligence, police.

Mr. LEVINSON. From within the Chilean police establishment?

Mr. BERRELLEZ. Yes, that is right.

Mr. LEVINSON. Is where that information came from?

Mr. BERRELLEZ. Yes, that is right.

Mr. LEVINSON. So you had access within Chile to, how shall we describe it, political intelligence of the police department?

Mr. BERRELLEZ. No; I would not use the word "access" there. You are reading into it a lot more than there is, Mr. Levinson. I had a contact, let's put it this way, and this contact was not always available.

I was not either purposely looking for him all the time.

Mr. LEVINSON. You mean you bumped into him on the street?

Mr. BERRELLEZ. Yes; very conveniently across the street, too.

Mr. LEVINSON. I did not mean that in a bad sense.

Mr. BERRELLEZ. No; I hope I am clear, Mr. Levinson; you used the word "access" which would convey to me an image that I could go willy-nilly in there and say, look, Buster, what is going on? In that sense, access, no.

In the sense that I would run into this person once in a while, yes. I do not think I would call that access; I may be wrong.

Mr. LEVINSON. But both within Chile and within Argentina, as you say?

Mr. BERRELLEZ. Yes.

Mr. LEVINSON. You did have—what other word can I use—access to?

Senator CHURCH. Contact.

Mr. BERRELLEZ. We had contacts, we had nonjournalist contacts.

Mr. LEVINSON. Contact.

Senator CHURCH. Contact with the police and contacts with other—

Mr. BERRELLEZ. Well, Argentina—

Senator CHURCH. I mean in Chile; you said you had contact with the police.

Mr. BERRELLEZ. Yes, that is right.

#### CONSEQUENCES OF ALESSANDRI FORMULA

Mr. LEVINSON. In your election assessment of September 7, you had made it very clear in your reporting that if the "Alessandri formula" was to be implemented, a bloodbath could be expected in Chile.

Later, in the memo of September 17, you are discussing your conversation with Mr. Matte, who told you, among other things that, "The 'Alessandri formula' through which the way would be opened for new elections had the government's and Frei's personal approval." Such "A constitutional solution, for instance, could result from massive internal disorders, strikes, urban and rural warfare. This would morally justify an armed forces intervention for an indefinite period. But it was apparent from Matte's exposition that there is little hope for this. The Marxists will not be provided. 'You can spit in their face in the street,' Matte said, 'and they'll say thank you.' This means that the far left is aware of and taking every precaution to neutralize provocation."

You conclude from this meeting, with Matte that, "The leader we thought was missing is right there in the saddle (Frei), but he will not move unless he is provided with a constitutional threat." You say, "That threat must be provided one way or another through provocation. At the same time, a subtle but firm enough pressure must be brought to bear on Frei so that he'll respond."

Then you wind up, "Matte did not mention money or any other needs. At the end when it was mentioned we were, as always, ready to contribute with what was necessary, he said we would be advised."

Now someone reading this, and reading it in context with your previous September 7 cable which said the Alessandri formula would lead to bloodshed—

Mr. BERRELLEZ. Yes.

Mr. LEVINSON [continuing]. Would analyze this as saying that: (a) you have been told that the Alessandri formula has been approved by Frei and Alessandri; (b) they need a constitutional crisis which must be provided through provocation; (c) the provocation must be provided one way or another; but since the left will not react, it has to be a strong provocation; and (d) and if money or anything else is needed you—presumably speaking on behalf of ITT—are ready to contribute with whatever is needed. That is a fair reading in context of this message, is it not?

Mr. BERRELLEZ. This is what you are inferring from that, sir. May I explain?

Mr. LEVINSON. Please do.

Mr. BERRELLEZ. Is this your question, by the way, are you—

Mr. LEVINSON. I am asking whether that is a fair—

Mr. BERRELLEZ. No, I say no, it is not fair.

Mr. LEVINSON [continuing]. In context. Would you explain why it is not fair?

#### CONTRIBUTION TO ALESSANDRI FORCES

Mr. BERRELLEZ. Well, the paragraph, the last paragraph Matte did not mention any money or any other needs, I think you are referring to that.

Mr. LEVINSON. It says:

At the end when it was mentioned, we were, as always, ready to contribute with what was necessary, he said we would be advised.

Mr. BERRELLEZ. I wanted to draw Dr. Matte out, I wanted a very clear picture as to what would move these people, what were they looking for. I had to report back to my company clearly.

Mr. LEVINSON. What would move which people? What was who looking for?

Mr. BERRELLEZ. What would move Alessandri's people to do something?

Mr. LEVINSON. Alessandri's people?

Mr. BERRELLEZ. Yes. The Matte people, the National Party, the conservatives did not want Allende in there, I wanted to know.

Mr. LEVINSON. When you say to move to do something; what is the something?

Mr. BERRELLEZ. Well, I say here provocation first, the threat of provocation, something to create disorder, some movement that would cause the army to move in in the name of order, and then goodbye. You have got the army in—

Senator CHURCH. Goodbye Allende.

Mr. BERRELLEZ. Goodbye Allende, goodbye Frei, and so forth. I was trying to draw out Dr. Matte as to specifics and I could not do it. Dr. Matte is a man in his seventies, he is a very cultured and very correct individual. I could not approach Dr. Matte bluntly, and I thought I would—

Senator CHURCH. You mean, you could not just go and say to him, here is some dough?

Mr. BERRELLEZ. I could not say, first of all, I could not say, that, sir. I am not authorized to offer money.

Senator CHURCH. What did you mean when you said "at the end when it was mentioned we were, as always, ready to contribute"? What do those words mean?

Mr. BERRELLEZ. The words are these, sir. I am addressing Dr. Matte. He has not mentioned money or any other needs up to this point. I am anxious to know.

Senator CHURCH. What you can do?

Mr. BERRELLEZ. There must be something here. But I cannot tell Dr. Matte, "Look, Buster, what is your game, how much money do you want?" I could not do this.

Senator CHURCH. Of course not, but what you did—

Mr. BERRELLEZ. I used, sir, classic Spanish, the conversation was all in Spanish.

Senator CHURCH. So, there is a way in Spanish to get this point across. [Laughter.]

Mr. BERRELLEZ. No, no, sir, look, you are pretty close to it but this is not what was then.

Senator CHURCH. All right. Tell us then.

#### SPANISH NUANCES

Mr. BERRELLEZ. You say when you leave a person and I am going to translate rather literally, you say, "Dr. Matte, or so and so, good evening, remember that if we can be of any service to you we are willing to contribute, and so forth."

Now, in English it is going to sound awkward and forgive me, at least the way I see it in Spanish it is not, sir. I understood that Dr. Matte would understand, and his answer to me was you will be advised.

Senator PERCY. This pertains not only to offers of direct support from ITT, but earlier the question was asked could he be persuaded by assurances of fullest support from Washington.

Mr. BERRELLEZ. Yes

Senator PERCY. Why was that question asked?

Mr. BERRELLEZ. In this context, sir. At about this time there was a lot of concern among these people that Washington was preoccupied too much with Vietnam, that the true picture was not being conveyed up there.

Mr. LEVINSON. Who was concerned; who were the people who were concerned that it was not accurately getting through?

Mr. BERRELLEZ. The people in the anti-Allende or the opposition, let us put it, and they were also, as I remember, preoccupied by the possibility that Washington might, in the event, say, a coup developed, Washington might say, "No, this is no good."

Senator PERCY. But were you conveying to Dr. Matte the impression that if he said, and you indicate in the dispatch that he thought it over very carefully before answering.

Mr. BERRELLEZ. Yes.

Senator PERCY. That he put the question to you because you were implying that your company, ITT would be able to provide.

Mr. BERRELLEZ. No.

Senator PERCY. An assurance to them of fullest Washington support if he replied favorably.

Mr. BERRELLEZ. No, sir, this goes back 3 years and I am going to tell you as close as I can remember at this point. I was trying to dredge out this information from him and it occurred to me to ask him, well, look, supposing you get a message from Washington or from some Senator or from some influential person up there who said, "Look, tell them not to worry, you know, we will look the other way," for instance, something like that. I was curious, and this is the way it was offered, not that I was committing my company to do this. I had no authority to do that.

Senator PERCY. But you did. This is in the same dispatch in which it is stated, "Late Tuesday night Ambassador Korry finally received a message from State Department giving him the green light to move ahead in the name of President Nixon."

Now, Dr. Matte is being asked would fullest support from Washington move them to act and you were asking that, were you not with an understanding or a feeling that if you were able to transmit that information back that such assurance and backing might be given by Washington and by the U.S. Government.

Mr. BERRELLEZ. Possibly, yes.

Senator PERCY. But, did you have any specific knowledge—

Mr. BERRELLEZ. No, no, I had no—

Senator PERCY [continuing]. That that backing could be provided?

Mr. BERRELLEZ. No, sir. This is just curiosity on my part, what will move these people and in that context I put it out to them.

Senator PERCY. You were not authorized in any way by any of your superiors to offer such assurance?

Mr. BERRELLEZ. Absolutely not, sir.

Senator PERCY. Thank you.

#### USE OF DETAILED POLITICAL INFORMATION

Senator CHURCH. Reading over all of this information you were supplying concerning the details of the political situation in Chile, the only possible use for this kind of information bears upon political intervention. Everything you say here bears upon that question.

You make your assessment; you make your recommendations. But it all bears upon the question of political intervention. Is that normally the kind of thing that an American company is thinking about, getting such detailed information, getting assessments on a day-to-day basis?

Mr. BERRELLEZ. What is your specific question, Senator?

Senator CHURCH. That was the specific question. It relates to everything you are telling the company. What possible use to the company is this information except as it bears upon the possibility of intervention, the possibilities of preventing Allende from assuming power? It is all related to that, is it not, your assessment of the various plans and formulas? It is all here before us, and you are reporting it to your company. Why would they be interested in any of this unless they were seriously considering the possibility of intervention? Why did

you think they would be interested? Why are you reporting this on a day-to-day basis?

Mr. BERRELLEZ. I was asked to report, sir.

Senator CHURCH. You were asked to do it, were you not?

Mr. BERRELLEZ. I was asked to report.

Senator CHURCH. You were asked to do that?

Mr. BERRELLEZ. I could not assume anything else.

Senator CHURCH. You were asked by the company to give them that kind of information?

Mr. BERRELLEZ. Yes, sir.

Senator CHURCH. Very well.

Any further questions, Mr. Blum?

#### PROMISE OF ASSISTANCE

Senator CASE. I am interested in the reaction that you got from your home office in the United States to your report that you had indicated you were ready to contribute whatever was necessary. They did not object to that assurance that you had—

Mr. BERRELLEZ. I did not get any reaction.

Senator CASE. Will you read the paragraph out loud, please?

Mr. BERRELLEZ. Matte did not mention money or any other needs. At the end when it was mentioned "we were, as always ready to contribute." He said: "When it was necessary we would be advised." Is this the paragraph you are referring to?

Senator CASE. Yes. Now, that is the paragraph in which, as I understand it, you were telling your company that you had told Matte the company was ready to contribute whatever was necessary. That is what you said, is it not?

Mr. BERRELLEZ. Sir, again, let me—

Senator CASE. I know there is some Spanish nuance, I think [Laughter]. I do not understand.

Mr. BERRELLEZ. No; I am still talking to Dr. Matte, when I say to the Doctor "estamos listos para service," we are using the "we." I am not bringing the company here, I had no authority to do this, sir. "Estamos cuestos"—

Senator CHURCH. It means the same thing in Spanish as in English. [Laughter.]

Mr. BERRELLEZ. To you, perhaps it does.

Senator CASE. You would not have reported just a routine farewell in a report to the home office. Obviously, if you said it every time it would be a waste of the company's money to put this in.

Mr. BERRELLEZ. No, I did not, sir; no. I had to convey to Mr. Hendrix that I made every effort to bring this man out. If I dropped the story there, you know, he did not mention money or any other needs, I am sure the question would have arisen what is in these guy's minds, I do not know, I tried to bring them out, I cannot tell you.

Senator CASE. If anything ever spoke for itself it seems to me that your report does, and that it means that you gave an assurance to Dr. Matte on behalf of the company that you wanted to help his group. You certainly conveyed that general impression.

Mr. BERRELLEZ. That is right.

Senator CASE. And when you said ready to contribute that usually includes monetary contribution.

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Mr. BERRELLEZ. I do not know, sir. You may read it that way, I do not, I am sorry.

Senator CASE. Well, we are not trying to put words in your mouth. We are just trying to interpret Matte to Berrellez now. In any event, you were not repudiated by your home office in regard to this message. They did not say you had no authority to say what you said?

Mr. BERRELLEZ. No.

Senator CASE. That is all.

Senator CHURCH. Your answer to that is, no?

Mr. BERRELLEZ. I beg your pardon?

Senator CHURCH. The answer to that is, no?

Mr. BERRELLEZ. The answer is, "No."

Senator CHURCH. Are there any other questions?

Senator Percy?

#### SOURCE OF STATE DEPARTMENT MESSAGE

Senator PERCY. I think your political reporting is to be admired for the purposes it served, which we are not fully cognizant of but which are intriguing. I would be very interested to know how you obtained what must have been an absolutely top classified piece of information that Ambassador Korry received on Tuesday night, giving the green light to go ahead with a dramatic change of policy for a country—information that was dynamite if known outside. How could that information have been conveyed to you with the assurance with which it is phrased on page 1—page 52 of your personal account of your cable back to Mr. Gerrity?

Mr. BERRELLEZ. How was this conveyed to me, you say?

Senator PERCY. Yes; how did that information and intelligence come to you?

Mr. BERRELLEZ. When I read the memorandum is when I learned about it.

Senator PERCY. Pardon?

Mr. BERRELLEZ. When I read the memorandum.

Senator PERCY. That was not from you, then?

Mr. BERRELLEZ. That is right.

Senator PERCY. Do you have any knowledge as to how it was obtained?

Mr. BERRELLEZ. Mr. Hendrix, I believe, mentioned that casually to me during our stay at Santiago. I am sorry you were not here when Mr. Hendrix spoke earlier, sir.

Senator PERCY. I want to know whatever information you can add because we have asked the question.

Mr. BERRELLEZ. I cannot answer the question.

Senator PERCY. You cannot add anything? Is counsel going to discuss the memorandum of September 2 on page 66? Fine. I have no further questions on this matter.

Senator CHURCH. Thank you, Senator.

#### PROSPECTS FOR ECONOMIC CHAOS

Mr. BLUM. Turning to your memorandum to Mr. Hendrix dated September 29, 1970:

Capsuled situationer: It appears almost certain that Marxist Salvador Allende will be confirmed by the Congress as Chile's next President.

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I call your attention to the third paragraph—

A more realistic hope among those who want to block Allende is that a swiftly deteriorating economy (bank runs, plant bankruptcies, etc.) will touch off a wave of violence resulting in a military coup.

How did you reach the conclusion that that was a realistic hope?

Mr. BERRELLEZ. Much of it, again, is from talking to my Chilean friends, and much of it distilled from news dispatches, local papers.

Mr. BLUM. And this was simply talking to Chileans generally? You had no specific source for this?

Mr. BERRELLEZ. No.

Mr. BLUM. No source in Chilean politics?

Mr. BERRELLEZ. No.

Mr. BLUM. You had no notion that similar kinds of discussions were going on in Washington?

Mr. BERRELLEZ. I may have, sir, but I do not remember at this point whether—you mean, discussions of—

Mr. BLUM. Between Mr. Merriam and Mr. Broe.

Mr. BERRELLEZ. No; I had no knowledge of that.

Mr. BLUM. And Mr. Gerrity and Mr. Broe.

Mr. BERRELLEZ. No; I thought you were referring to newspaper accounts out of Washington.

Mr. BLUM. No; not newspaper accounts.

Mr. BERRELLEZ. No.

Mr. BLUM. You did not receive any copies of those cables?

Mr. BERRELLEZ. I did not.

Mr. BLUM. Did you discuss the situation at all with anyone in the U.S. Government, particularly this point of financial chaos?

Mr. BERRELLEZ. No, sir.

Mr. BLUM. You also mention here an undercover effort.

Mr. BERRELLEZ. Excuse me, may I take that back?

Mr. BLUM. Yes.

Mr. BERRELLEZ. Look, I would like to have, leave myself with a tiny out on this because there is a possibility that very generally in one of the visits to Mr. Korry this may have come up, you see.

Mr. BLUM. Mr. Korry may have mentioned financial chaos to you?

Mr. BERRELLEZ. No, no, we may have discussed it, you know, like this thing is being rumored and so forth.

Mr. BLUM. You did talk to Mr. Korry in this period?

Mr. BERRELLEZ. I believe so, yes.

Mr. BLUM. You say further on in the memo "Undercover efforts are being made to bring about the bankruptcy of one or two major savings and loan associations."

How did you learn about that?

Mr. BERRELLEZ. I am very sure that, well, this is a Chilean source.

Mr. BLUM. Was he a Chilean in politics?

Mr. BERRELLEZ. No—well, yes, in a way he was, he ran for office later.

Mr. BLUM. Did he suggest that those efforts were American inspired?

Mr. BERRELLEZ. No.

#### IDENTITY OF ANTI-ALLENDE FORCES

Mr. BLUM. If the Santiago businessmen were making their peace with Allende as you report, what segment of the community was continuing the effort at sabotage?



Mr. BERRELLEZ. I do not know specifically, sir. There was one group, I guess, that did not see eye to eye with the other group that wanted to make their peace with Allende.

Mr. BLUM. If ITT had no thought of involvement, why did you warn that "Every care should also be exercised to insure we are not identified openly with any anti-Allende moves"?

Mr. BERRELLEZ. I had seen, sir, how the Allende press had picked up on an American company to blast them. I did not think it was right to get ourselves involved in any kind of a situation like that.

Mr. BLUM. If your company's policy was noninvolvement, why do you think a warning like this would have been necessary?

Mr. BERRELLEZ. I think I brought that up earlier. My recollection is there was some contact made or was going to be made with the Sheraton representatives. I felt if there was any kind of outlandish or outright rejection it might bring out a proposal—

Mr. BLUM. Proposal for what?

Mr. BERRELLEZ. It is up there. At this writing we have been told that Allende asked for a meeting with Sheraton representatives to discuss Allende's future policies concerning the hotels.

Mr. BLUM. I see, and you were afraid that that meeting might create an adverse effect?

Mr. BERRELLEZ. I felt that if we were, say, too inflexible, it might provoke some kind of adverse reaction.

#### MERRIAM MEETING WITH BROE

Mr. BLUM. Did you have any knowledge whatsoever of Mr. Gerrity's meeting with Mr. Broe in October?

Mr. BERRELLEZ. No, no.

Mr. BLUM. Did you have any knowledge of any of Mr. Merriam's meetings or telephone conversations with Mr. Broe?

Mr. BERRELLEZ. You are talking about at that time?

Mr. BLUM. At that time?

Mr. BERRELLEZ. No, sir.

Mr. BLUM. Did you have any knowledge whatsoever of discussions at whatever level in your company or in the Central Intelligence Agency of a plan to provoke economic chaos in Chile?

Mr. BERRELLEZ. No.

#### CAUSING BANKRUPTCY

Senator PERCY. I would like to go back to the September 29 memo and try to understand a little better the statement:

Undercover efforts are being made to bring about the bankruptcy of one or two of the major savings and loans associations. This is expected to trigger a run on the banks and closure of factories, resulting in more unemployment.

Who was engaged, who were the parties engaged, in such undercover efforts?

Mr. BERRELLEZ. This was just reported to me, sir. I do not know who the undercover agents were. I did not ask.

Senator PERCY. But on whose behalf were they acting? You must have had some information as to who was doing this.

Mr. BERRELLEZ. Well, it inevitably, sir, I believe it had to be the people who were—

Senator PERCY. Are they all Chileans?

Mr. BERRELLEZ. Yes, sir.

Senator PERCY. At any time did you have knowledge that any American companies, including ITT, were considering aiding and abetting such undercover activities which would bring about economic chaos and cause unemployment, the loss of savings, and so forth?

Mr. BERRELLEZ. I had no knowledge of that, sir.

Senator PERCY. No knowledge whatsoever?

Mr. BERRELLEZ. No.

Senator PERCY. Nor at any time did you know of any recommendations that had been made along that line?

Mr. BERRELLEZ. None at all.

Senator PERCY. Thank you.

Senator CHURCH. Have you seen them since?

Mr. BERRELLEZ. Yes.

Senator CHURCH. Thank you. I guess that is all, if there are no further questions.

We stand adjourned until 10 o'clock tomorrow morning.

[Whereupon, at 5 p.m., the hearing was adjourned, to reconvene at 10 a.m., Thursday, March 22, 1973.]

# THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

THURSDAY, MARCH 22, 1973

UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church (chairman), presiding.

Present: Senators Church, Muskie, Case, and Percy.

Also present: Mr. Levinson and Mr. Blum of the subcommittee staff.

Senator CHURCH. The hearing will please come to order.

## SWEARING IN OF WITNESS

Our first witness this morning is Mr. Edward Gerrity of the ITT. Mr. Gerrity, will you please stand and be sworn? Do you swear this testimony you are about to give in this proceeding to be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GERRITY. I do.

Senator CHURCH. Please sit down.

Mr. Levinson will begin the questioning.

**TESTIMONY OF EDWARD J. GERRITY, SENIOR VICE PRESIDENT, CORPORATE RELATIONS AND ADVERTISING, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT; AND PHIL E. GILBERT, JR., COUNSEL, ITT**

Mr. LEVINSON. Mr. Gerrity, will you state your full name and address for purposes of the record, please?

Mr. GERRITY. Sir?

Mr. LEVINSON. Your full name, address for purposes of the record.

Mr. GERRITY. Yes. My full name is Edward J. Gerrity, Jr., office address 320 Park Avenue, New York, N.Y.

## WITNESS' POSITION AND RESPONSIBILITIES WITH COMPANY

Mr. LEVINSON. And your position with the company now?

Mr. GERRITY. I am senior vice president, Corporate Relations & Advertising.

Mr. LEVINSON. And advertising?

Mr. GERRITY. Right.

Mr. LEVINSON. And in that position what are your responsibilities?

Mr. GERRITY. I am responsible for the administration of our public relations programs. I am responsible for the administration of our advertising on a worldwide basis. I am also responsible for administration of the Washington office of ITT.

#### CALLING ATTENTION TO CHILE ON FLOOR OF U.S. CONGRESS

Mr. LEVINSON. Mr. Gerrity, I would like to refer you to a memo of September 23, 1970, in which Mr. Merriam relates a conversation with you in which he states that you feel it is about time to move on getting someone to do something about Chile on the floor of the House and/or Senate.

What did you mean when you told Mr. Merriam you wanted someone to do something about Chile on the floor of the House and/or Senate?

Mr. GERRITY. Well, we were concerned about what might happen in Chile in terms of the election there in the sense that we were worried about the possibility of our property being expropriated, and our thought was that perhaps someone in the House or Senate who might share that view would call that to the attention of either body.

Mr. LEVINSON. Call that to the attention of whom?

Mr. GERRITY. Either body of either the House or Senate and I focused on the point of our concern.

Mr. LEVINSON. This is in the period between the popular election and the congressional election in Chile. In other words, the congressional election has not yet taken place in Chile. What is the purpose of having attention called to your concern about your properties in Chile on the floor of the House of Representatives and the Senate of the United States in the United States?

Mr. GERRITY. Well, I do not know where else we could do it, Mr. Levinson. Certainly, this is a forum to which we have access as citizens of the United States, and we had a legitimate concern that possibly if Salvador Allende became President of Chile he would expropriate our property down there as he had indicated. That is a thing he has a perfectly legal right to do. On the other hand, we were concerned, all we were concerned about was that we would receive prompt adequate payment as required under international law.

Mr. LEVINSON. And you wanted someone on the floor of the House or Senate to state that ITT was concerned if Mr. Allende became President he would take their properties without adequate compensation, is that what the object was?

Mr. GERRITY. I think the object was to point out, we were particularly concerned but I believe other companies were similarly concerned as we were concerned, about the role of the American investment and we were particularly concerned about our own investment.

Mr. LEVINSON. Was this particular attention concerned with in some way leading the Chilean Congress to elect or not to elect Allende?

Mr. GERRITY. None whatsoever.

Mr. LEVINSON. The expression of concern then, was for what purpose?

Mr. GERRITY. We wanted it pointed out so if it did happen, if it did happen, our Government would move promptly to protect our rights under international law.

Mr. LEVINSON. So this was to influence the U.S. Government in the event that Allende became President?

Mr. GERRITY. That is right.

#### PRESENTATION OF CHILEAN SITUATION IN NEWS MEDIA

Mr. LEVINSON. Let me now refer you to a memorandum of September 28, 1970, from you to Mr. Fitzpatrick in which you discuss a Business Week editorial on Chile. You state, "It fosters the thought that all is right with the world. Suggest you pull together some material such as we discussed last week to meet the situation. There is no relation between the editorial and the fact of the situation in Chile."

Is it part of your job to monitor the news media to see that a proper picture of Chile is presented in the United States?

Mr. GERRITY. Insofar as we are concerned, I would say yes, we would be interested. Is this Business Week here—yes, I would say it is a very influential publication and I would think that if we thought it was not an adequate presentation of what the situation was in Chile we would bring it to their attention.

Mr. LEVINSON. This was not particularly with reference to any specific ITT property but with respect to the overall Chilean political situation?

Mr. GERRITY. I do not remember the editorial, Mr. Levinson. I do not have it here. We would assume it was not accurate or it was incomplete or something.

#### BASIS FOR MR. BROE'S SUGGESTIONS

Mr. LEVINSON. I am going to turn to a memo of September 29, 1970, which deals with your summary of Mr. Broe's visit with you. Did Mr. Broe call you to arrange the appointment?

Mr. GERRITY. Yes.

Mr. LEVINSON. He did. Now, in your memo you state that "He made suggestions based on recommendations from our representative on the scene and analysis in Washington". The phrase "our representative on the scene", refers to Berrellez and Hendrix, does it not?

Mr. GERRITY. Let me find it.

Mr. LEVINSON. Yes.

Mr. GERRITY. Yes.

Mr. LEVINSON. Mr. Merriam told us on Tuesday that Mr. Broe was receiving the Hendrix-Berrellez cables on a regular basis so at least, in part these suggestions of Mr. Broe were derived from the analysis contained in the H.B. cables and turned over to Mr. Broe, were they not?

Mr. GERRITY. I do not know that, sir. I do not know what cables Mr. Broe received. I do not think he received everything we received and I had no idea actually, what he did receive, so I cannot say that.

Mr. LEVINSON. Well, Mr. Merriam did testify that he did in fact receive the September 17 cable as a minimum and you do say here that

"He made suggestions based on recommendations from our representative on the scene and analysis in Washington", and Mr. Merriam again was specific on Tuesday in stating that he discussed specifically the recommendations of the Hendrix-Berrellez 9/17 cable with Mr. Broe.

So it is a fair reading of this cable, is it not, to infer from this that Mr. Broe was at least in part referring to the recommendations of your representative on the scene when he formulated these suggestions?

Mr. GERRITY. Sir, I do not know what entirely Mr. Broe based his recommendations on and I cannot testify to what he did base them on. I cannot read his mind.

Mr. LEVINSON. All I am doing is reading your summary of your conversation with him in which you state that "He made suggestions based on recommendations from our representative on the scene and analysis in Washington." Did he tell you that these suggestions were based at least in part on the recommendations from Hendrix and Berrellez?

Mr. GERRITY. I do not recall, sir. But in the Hendrix-Berrellez memorandum there is nothing about economic chaos at all in these suggestions here, I do not recall anything in that memorandum about these matters. Perhaps I am confused, Senator, but I do not recall anything in that—

Senator CHURCH. Mr. Gerrity, what did you mean when you said, when you used these particular words "We discussed the situation in detail and he made" he being Broe of the CIA, "he made suggestions based on recommendations from our representative on the scene?"

Mr. GERRITY. Our representative on the scene was either Mr. Hendrix or Mr. Berrellez and I am assuming here—Senator, let me say this, I met Mr. Broe once, I met him for a period of maybe 30 to 40 minutes, I never saw him or talked with him again so that I do not think I would even recognize him. My point is that I do not have a good feel for the conversation but let us assume for the purposes here that we did talk about something that was in this memorandum and he said, he made some suggestions or some such, let us assume it.

Senator CHURCH. All right. I cannot read that sentence any other way.

Mr. GERRITY. All right.

#### MR. BROE'S SUGGESTIONS

Senator CHURCH. All right. Then, the suggestions follow. These suggestions were Broe's suggestions, is that correct?

Mr. GERRITY. That is correct.

Senator CHURCH. Am I reading you correctly?

Mr. GERRITY. Yes, sir.

Senator CHURCH [reading:]

1. Banks should not renew credits or should delay in doing so.
2. Companies should drag their feet in sending money, in making deliveries, in shipping spare parts, etc.
3. Savings and loan companies there are in trouble. If pressure were applied they would have to shut their doors, thereby creating stronger pressure.
4. We should withdraw all technical help and should not promise any technical assistance in the future. Companies in a position to do so should close their doors.
5. A list of companies was provided and it is suggested that we approach them as indicated. I was told that of all the companies involved, ours alone has been responsive and understood the problem. The visitor added that money was not a problem.

These were the suggestions that Broe made to you in the course of that conversation?

Mr. GERRITY. Yes, sir.

Senator CHURCH. Clearly, these suggestions are all designed to create economic problems in Chile, are they not?

Mr. GARRITY. Yes, sir.

#### MEANING OF PHRASE "MONEY IS NOT A PROBLEM"

Senator CHURCH. What did you mean when you used the sentence, "The visitor," which I take it means Broe, "added that money was not a problem."

Mr. GARRITY. Sir, I do not know. My recollection is he just said "Money is not a problem. We are well financed." I gathered they were financed to do whatever the agency had in mind to do. I think I should say—

Senator CHURCH. Was there any connection between that statement—I would infer that since ITT indicated its willingness to contribute as much as \$1 million to help finance some kind of Government plan to block Allende that he may have had that in mind when he said money was no problem? Do you think so?

Mr. GARRITY. Sir, let me say this in response to that, and I have a completely different understanding of what that million dollars was involved. I was completely unaware of Mr. McCone's understanding. That is until I heard his testimony here yesterday, I had never heard that before, and my understanding of what the million dollars was to be used for is quite different.

Senator CHURCH. Well, do you think that when Mr. Broe told you money was no problem he meant to indicate that whatever the money was intended for that the ITT had offered that they did not need it?

Mr. GERRITY. Sir, I do not know what he meant, I really do not.

Senator CHURCH. You do not know what he meant? You do not know what you meant when you put that statement in the memo?

Mr. GERRITY. It is just a statement he was making.

Senator CHURCH. And you do not know how to interpret it?

Mr. GERRITY. No, other than saying "We do not need money to do what we are going to do," other than these ideas, an idea which this memo points out was rejected.

#### OFFER OF MONEY BY ITT

Senator CHURCH. Previously the money had been offered, had it not?

Mr. GERRITY. Money had been offered by whom, sir?

Senator CHURCH. By ITT.

Mr. GERRITY. Sir, I have no knowledge of money being offered than what Mr. McCone said yesterday. I have no knowledge of that at all, and it is not my understanding that any money was offered to the CIA.

Mr. LEVINSON. According to the testimony of Mr. McCone money was offered in support of whatever Government plan might be devised which had as its objective stopping Allende from being elected President of Chile by the Chilean Congress. It was quite explicit on that.

Mr. GERRITY. I understood he said he had made a proposal to Mr. Kissinger and the State Department and he had advised Mr. Helms of what he had done. I did not understand he had made the offer to the CIA.

Mr. LEVINSON. I believe his statement was explicit that he had advised both Mr. Helms and Mr. Kissinger that ITT would support with a substantial sum any plan that the U.S. Government might devise which had as its objective the formation of a coalition within the Chilean Congress which might stop Mr. Allende from being elected President. We do not have the transcript from yesterday but I do believe that is an accurate statement.

Mr. GERRITY. Well, as far as I am concerned, sir, all I know is what we did, that is, the Washington office in the person of Mr. Neal, was talk to Mr. Kissinger, and talk to the State Department. I am unaware other than what Mr. McCone said about what Mr. McCone did.

#### ITT ONLY COMPANY RESPONSIVE

Senator CHURCH. Going down on your memo of September 29, 1970, Mr. Gerrity, the third paragraph says, "He indicated that certain steps were being taken," now he again is Broe, is that correct?

Mr. GERRITY. Yes, sir.

Senator CHURCH [reading]:

He indicated that certain steps were being taken but that he was looking for additional help aimed at inducing economic collapse. I discussed the suggestions with Gullfoyle.

Before we move on, if you read this sentence with the sentence in the preceding paragraph, "I was told that of all the companies involved ours alone had been responsive." I take it, that this means that either Broe or some other agent of the CIA had been in contact with other American companies in connection with Broe's suggestions in an attempt to get them to join in support of this suggested plan of action but that only the ITT had been responsive.

Mr. GERRITY. That is the way I understand it.

Senator CHURCH. That is the way you understand it?

Mr. GERRITY. The only ones I gathered he meant, the only ones who had talked to him about the problem as we saw it, were ourselves. I have no knowledge of whom he contacted or whatever and I did not ask him.

Senator CHURCH. Yes. Then, our understanding of that general language is the same.

Mr. GERRITY. Let me paraphrase something, sir, I want to make plain we did not agree with Mr. Broe's proposals of economic chaos. In fact, it was exactly and diametrically opposed to what we were doing at that time in Chile.

Senator CHURCH. What does Mr. Broe then mean in the words you used "only ITT was responsive"?

Mr. GERRITY. I mean, only ITT was soliciting him or talking to him. I take it.

Senator CHURCH. All right.

Mr. Levinson.

Mr. LEVINSON. In fact, Mr. Broe told you, did he not, ITT was the only company that had contacted the Agency and expressed an interest in the current situation in Chile?



Mr. GERRITY. I do not recall that.

Mr. LEVINSON. Additionally, in your cable he gave you a list of companies, according to what you say, and asked you to call them, and you discussed the suggestions with Guilfoyle and, I take it; as a result of your discussions with Guilfoyle, "Guilfoyle contacted a couple of companies who said they had been given advice directly contrary to the suggestions I received." So, at least to some extent you followed up on Mr. Broe's suggestions by getting in contact with companies to determine the feasibility of the suggestions. Is that not a fair reading of what your cable says?

#### WHY MR. BROE'S PLAN WAS REJECTED

Mr. GERRITY. Let me explain that. I did not think the ideas were worth very much at all and I wanted to reinforce my own judgment because our problem in Chile was quite the opposite. Our company needed money, we were sending money from New York to keep the company afloat. We had a contract, an agreement, with the Government, with the Frei government on the buy-out proposal and we were doing everything possible we could to live up to that agreement. This plan of economic chaos made no sense at all, for economic chaos—

Senator CHURCH. Mr. Gerrity, if that is so, if you are telling us this plan made no sense at all, that you recognize that it was not feasible, it was against your interests to produce economic chaos, and yet in the very next sentence in this memorandum you say, "Realistically, I do not see how we can induce others involved to follow the plan suggested."

Those are your own words.

Mr. GERRITY. That is right.

Senator CHURCH. "I do not see how we can induce others involved to follow the plan suggested."

Senator PERCY. Senator Church, would you mind my referring Mr. Gerrity to the third paragraph of the Berrellez memorandum of September 29, 1970, in which his own man on the spot in Chile says:

A more realistic hope among those who want to block Allende is that a swiftly deteriorating economy, bank runs, plant bankruptcies, etc., will touch off a wave of violence resulting in a military coup.

Are you now repudiating your own expert on the spot in what he was reporting to you then as the most realistic hope?

Mr. GERRITY. This is the same date, Senator, as the cable I am sending at the moment. I am meeting with Mr. Broe, but it still did not make sense, Senator, to us in terms of what our interests were in Chile. It would be self-defeating to induce chaos in the economy down there.

I think we ought to point out another thing about the Berrellez and Hendrix reports.

Senator CHURCH. Mr. Gerrity, before you do that, I would appreciate it if you would answer my question.

Mr. GERRITY. Sir, would you repeat it?

Senator CHURCH. Let me restate it. I think it is fortified by what Senator Percy has pointed out, but if this plan were so clearly against the interests of your company, as you say, if it were so clearly unacceptable to ITT, then why do you say in the very next sentence "realistically, I do not see how we can induce others involved to follow the plan suggested"? Why should you be interested in inducing them to follow a plan that you now say was unacceptable to ITT?

Mr. GERRITY. Well, Senator, first, I will refer you back to the first part of the September 29 memo where I say I do not agree with Mr. Broe's plan, and then in reporting on it fully, in response to Mr. Broe's suggestion we contact other companies, I am telling Mr. Geneen that I do not think it is realistic for us to contact other companies on the basis that we could hope to induce them to follow such a program. That is what I am saying.

Senator CHURCH. If you will turn to your memo of September 30, 1970, I will read another sentence.

Mr. GERRITY. Yes, sir.

#### REASONS FOR REJECTION OF MR. BROE'S PLAN

Senator CHURCH [reading].

I will call you later to discuss HSG's reaction to my telex in some detail. He agrees with me that Broe's suggestions are not workable. However, he suggests that we be very discrete in handling Broe.

In other words, is it not, taking all these together, including the reference to which Senator Percy pointed, taking all these together, what you really were saying was you could not induce these companies to come along because you could not persuade them it was a workable plan, and you yourself, after having considered the situation, concluded that it was not a workable plan? That is why you rejected it, was it not?

Mr. GERRITY. No, sir, that is not why I rejected it.

Senator CHURCH. You did not reject it for that reason?

Mr. GERRITY. No, sir.

Senator CHURCH. Why do you say it here?

Mr. GERRITY. Why do I say what, sir?

Senator CHURCH. "He agrees with me that Broe's suggestions are not workable."

Mr. GERRITY. That is right.

Senator CHURCH. He agrees with you that they are not workable, that is why you rejected them?

Mr. GERRITY. No, he told me, I am sure Mr. Geneen will tell you the same thing, we discussed this and he said "It just does not make sense. It will defeat what we are trying to do in Chile, to keep our company viable, to live up to our agreement."

We continued to meet every requirement of our contracts and we needed money to do that.

Senator CHURCH. Why did you contact other companies to see if you could induce them to go along?

Mr. GERRITY. I did not try to induce anyone. I called other companies—

Senator CHURCH. Why?

Mr. GERRITY. Quite frankly, I do not remember actually calling anyone myself.

Senator CHURCH. Why call them at all?

Mr. GERRITY. To see what they thought about the suggestions.

Senator CHURCH. To see what they thought about the suggestions?

Mr. GERRITY. Right. Because I had told Mr. Broe it will not work, and I was sure they would tell me the same thing and they were reinforcing my opinion, Senator.

Senator CHURCH. You have said it again, that is why, they would reinforce your opinion that the plan was unworkable and that is why it was rejected.

Mr. GERRITY. Sir, it did not make sense and we did not want any part of it.

Mr. LEVINSON. Did you ever meet with or talk with—

#### HENDRIX AND BERRELLEZ REPORTS

Mr. GERRITY. Yes, may I complete my answer on Hendrix and Berrellez, to be responsive to Senator Percy?

Senator, Mr. Berrellez and Mr. Hendrix are a couple of excellent reporters. I think the record will attest to that. Their job was to report on everything they heard virtually, they were practically vacuum cleaners going around picking up bits of information. They reported that way. I think they did a good job, and their function was not to distill the reports or angle the reports. I think every newsman will understand it when an editor says, "Go out and cover the story, the editor says, "Go cover the story," he does not try to slant the story, so we would like to hear all of the facts. We like to hear facts whether they are good, bad, or indifferent, and they were funneling these facts back to me, and our function is to gather information, and then we would further this information to the people in our company who have to make a decision based on the information we received.

We gather all sorts of information on all sorts of things, I mean, not just in this function. But that is what Mr. Berrellez was doing in this memorandum here.

Mr. LEVINSON. Mr. Gerrity, on this point, if I might, we heard Mr. Berrellez' and Mr. Hendrix' testimony yesterday, that in addition to reporting they made recommendations and, indeed, Mr. Berrellez recounted how he promised support, whatever support was necessary, to Dr. Matte. You got that cable, it is addressed to you, I believe, or if it is not addressed to you, you certainly got a copy. As their immediate superior, is there any record of your having sent a message to Berrellez or Hendrix telling them "For God's sake stop promising these people," or anything to the effect of, "Stop leading them to believe that we will support them or that we are increasing advertising in or contributing to or anything"? Is there anything in the record, any written communication, from yourself to them saying, "What are you guys doing"?

Mr. GERRITY. There was no need to, Mr. Levinson. I understood what Mr. Berrellez meant. I thought he explained it very thoroughly here yesterday. Mr. Berrellez was not authorized to make any contributions. I was not authorized to make any contributions, if you are talking about financial support, and he knew that and I knew that. There is no point in sending him a message saying "Knock it off."

#### MR. McCONE KEPT ABREAST OF CHILEAN SITUATION

Mr. LEVINSON. I should like to refer you now to a memo of October 9, 1970, from Mr. Merriam which states that you suggested that it be sent to Mr. McCone. Why did you single out Mr. McCone as the only director to receive a copy of this memo?

Mr. GERRITY. Mr. McCone had asked me to keep him abreast of events in Chile from time to time. He at first, I forget when he first

made that suggestion, so from time to time, I would send him some information about what we were hearing about how the economic situation in Chile was developing.

Mr. LEVINSON. Did any other director request Chilean information?

Mr. GERRITY. We generally briefed the members of the board at board meetings. Either Mr. Geneen or myself or someone else would tell them what was going on in Chile so the board was aware.

Mr. LEVINSON. Did you ask Mr. Merriam to send a copy of that memorandum to any other member of the board?

Mr. GERRITY. No, I did not. I think I asked Mr. Merriam to do this because Mr. McCone happened to be in Washington at the time and I said, "Mr. McCone will be in Washington and will you give him a copy?"

#### PINNING DOWN STATE DEPARTMENT IN WRITTEN EXCHANGE OF VIEWS

Mr. LEVINSON. Now, I would like to turn to a memo of October 20, 1970, in which you state that the State Department "should be pinned down on the record in a written exchange of views so that, in effect, the formal history is set down. State has been absolutely wrong on the outcome in Chile, as other Government agencies have, but State has the fundamental responsibility for the U.S. position and it has been wrong consistently. It is our assumption that it would also, based on its record, probably be wrong about the effects of the Allende presidency."

Now, could you tell us, first, why and what was the object of pinning down the State Department in a written exchange of views between the International Telephone and Telegraph Co. and the Department of State of the United States? Is that a usual procedure to pin down the State Department in written exchange of views between your company and the Department of State?

Mr. GERRITY. We were seeking to have State put in writing what its policy would be in terms of the new government in the sense that you can sit down and talk with people and they can, you can come away from a meeting with various impressions. Can go back home and say, "I talked to Mr. X or Mr. Y and I think they will do this", and when something happens you can go back to them and say, "You told me you would do this or that", and Mr. X says "No, I never did. You misunderstood me."

My purpose was to elicit from State, if possible, their views on what would happen in Chile and, in view of our concern about possible expropriation, what they intended to do about that.

#### RECOMMENDATION CONCERNING U.S. DIPLOMATIC REPRESENTATION IN LATIN AMERICA

Mr. LEVINSON. Let us turn to your memo to Mr. McCone of October 21, 1970, with a copy to Mr. Geneen, signed by yourself in which you state you are following a program as suggested during your discussions. The title is "U.S. at the Crossroads—A Needed Reappraisal Of Our Latin American Policy", and in the last part you list a number of actions that you believe the United States should consider, and among these actions is "Consideration should be given to a reduction in U.S.

diplomatic representation in certain Latin American capitals. Staffs should be reduced and the post left in the hands of Charge d'Affaires."

Would you explain what that recommendation is all about?

Mr. GARRITY. This is a suggestion that came to us, I believe, from Mr. Neal of our Washington staff, who is a retired State Department Foreign Service Officer, and he was thinking about the possible effects on foreign investments in Latin America, and this was, his thought was, that this is one way the State Department could indicate concern about U.S. investments in the country.

Mr. LEVINSON. You adopted these because you included them in the program that you sent on to Mr. McCone.

#### STOPPING OF LOANS BY INTERNATIONAL AND U.S. PRIVATE BANKS

Now, additionally, you recount about informing Allende "in the event speedy compensation is not forthcoming there will be immediate repercussions in official and private circles. This will mean stoppage of all loans by international banks and U.S. private banks."

Mr. GERRITY. I am sorry, we did not hear you.

Mr. LEVINSON. Item F in the memo. You want to inform him that if he does not compensate you are going to stop all loans by international banks and U.S. private banks. Continue the foregoing trend with every possible pressure which might keep Dr. Allende within bounds. As a reassertion of U.S. Latin American policy, each Hemisphere Ambassador to the United States—and to the OAS—should be called to the State Department and individually informed about diplomatic review with Dr. Allende.

This means you are suggesting the U.S. State Department call in every Latin American Ambassador in Washington and inform them about the diplomatic review. Without informing Allende, "all U.S. aid funds already committed to Chile should be placed in the "under review" status in order that entry of money into Chile is temporarily stopped with a view to a permanent cut off if necessary. This includes 'funds in the pipeline'—'letters of credit' or any such."

This is a very comprehensive program that you are proposing, that the company seek to induce the State Department to follow. Is this a common occurrence where the company goes to get the Department of State and the other agencies to cut off aid, to stop all private loans, to stop loans in the pipeline without informing the President of a country of what they intend to do?

Mr. GERRITY. Let me go back a step. You said this was a program we had adopted. I do not know that we did adopt this as a program. This is a staff paper exploring possibilities of what might be done in the event certain things happen. I think this is a common experience in Government agencies and in businesses.

For example, I read not long ago that the Defense Department had a contingency plan to invade Canada. I suppose that was under the assumption, I suppose that an enemy had taken over Canada. Well, so when you are looking at situations you are trying to crank in all the variables to see what the possibilities are. It does not mean by any means that you are going to follow any of these things. You might do something completely different.

**BEST COPY AVAILABLE**

## PURPOSE OF PERFORMANCE RATING OF CHARLES MEYER

Mr. LEVINSON. Along the same lines, in a memo of November 4, 1970, to Mr. Geneen you gave Mr. Charles Meyer, former Assistant Secretary of State, a bad performance rating. You state and I quote: "Meyer has not done a good job," and you requested an evaluation from Mr. Hendrix.

Now, was the purpose of this to communicate this performance evaluation to the Vice President or anyone else in the U.S. Government?

Mr. GERRITY. To whom?

Mr. LEVINSON. Vice President Agnew.

Mr. GERRITY. Why would we want to do that, Mr. Levinson?

Mr. LEVINSON. I understood Vice President Agnew was a friend of yours.

Mr. GERRITY. What does that have to do with Chile?

Mr. LEVINSON. That is a good question. The question is, what is the purpose of such an evaluation?

Mr. GERRITY. Mr. Geneen asked me to get an evaluation of Mr. Meyer and I attempted to do it, it is that simple, no other purpose.

Senator CHURCH. Mr. Blum, do you have any questions?

Senator PERCY. I would like to ask a question at this point about Mr. Meyer. Mr. Meyer is not continuing as Assistant Secretary. Did anyone in the company ever indicate in any way to anyone in the administration that they would prefer not to have Charlie Meyer continue as Assistant Secretary?

Mr. GERRITY. No, sir.

Senator PERCY. At no time did you interfere with his appointment, then?

Mr. GERRITY. No, sir.

Senator PERCY. Has anyone in the company, to your knowledge, made a recommendation with respect to his successor?

Mr. GERRITY. No, sir.

Senator PERCY. Thank you.

Mr. BLUM. Mr. Gerrity, was that report communicated to anyone in the American Government, to your knowledge?

Mr. GERRITY. This Meyer report?

Mr. BLUM. Yes.

Mr. GERRITY. No, sir.

## NUMBER OF PEOPLE REPORTING TO WITNESS

Mr. BLUM. Mr. Gerrity, how many people report to you in your Department, roughly?

Mr. GERRITY. Off the top of my head, I cannot answer that, maybe 40, just to take a guess.

Mr. BLUM. Certainly. The Washington office, Mr. Merriam, Mr. Neal, the various people in the Washington office, Mr. Hendrix, Mr. Berrelles, the various field people whom we discussed, they all report to you and you are responsible for overseeing their activities, is that correct?

Mr. GERRITY. That is correct.

## DISCUSSIONS ABOUT ITT'S PROBLEMS IN CHILE

Mr. BLUM. When was the first time you began discussions with Mr. Geneen or with others in the company about the company's problems in Chile as a result of the upcoming election?

Mr. GERRITY. Well, I am just guessing, it must have been in the summer of 1970 or late summer, July, August, September; somewhere in that area.

Mr. BLUM. Mr. Neal testified that he began detailed reporting on Chile on instructions as early as January or February of 1970. Were you aware of that?

Mr. GERRITY. If he were, I am sure I was aware of it, yes.

Mr. BLUM. Did you have any discussion with Mr. Geneen about the situation in Chile prior to July 1, 1970?

Mr. GERRITY. I do not recall, Mr. Blum, but I probably did.

Mr. BLUM. You have no specific recollection?

Mr. GERRITY. I do not recall any specific—probably some general conversation about it but I really do not recall.

## MR. GENEEN'S MEETING WITH MR. BROE

Mr. BLUM. Did you talk to Mr. Geneen about the possibility of contacting any employee of the Central Intelligence Agency prior to July 16, 1970?

Mr. GERRITY. No, sir, I did not.

Mr. BLUM. Did Mr. Geneen tell you that he had an appointment with Mr. Broe on July 16, 1970?

Mr. GERRITY. No, sir; I learned about that ex post facto.

Mr. BLUM. When did you learn about it?

Mr. GERRITY. It must have been within a week or two after it occurred. Mr. Geneen told me he had met with Mr. Broe in Washington and had spoken with him about Chile.

Mr. BLUM. Did he tell what happened at the meeting?

Mr. GERRITY. He said he had had a brief meeting with Broe. They had discussed Chile in broad terms, and he had introduced Mr. Broe to Mr. Merriam and suggested that Mr. Merriam keep in touch with Mr. Broe.

Mr. BLUM. Did he tell you that he had offered to assemble a substantial fund for use in the Chilean election?

Mr. GERRITY. No, sir.

Mr. BLUM. Did he tell you that he had asked the Central Intelligence Agency whether it was prepared to act as a conduit for such a fund?

Mr. GERRITY. No.

Mr. BLUM. Did he tell you that he thought the Agency had not developed an appropriate contingency plan?

Mr. GERRITY. No.

Mr. BLUM. Was there any indication whatsoever of dissatisfaction with the Agency's approach to what was happening in Chile?

Mr. GERRITY. All he told me was he had asked Mr. Broe how they viewed the election prospects, how the election was shaping up, and they exchanged information and that is all I was told.

Mr. BLUM. Did he tell you whether he asked Mr. Broe if the CIA had a plan?

Mr. GERRITY. Had a plan?

Mr. BLUM. Yes.

Mr. GERRITY. No.

Mr. BLUM. Did he tell you that he telephoned Mr. Broe on July 27?

Mr. GERRITY. No.

Mr. BLUM. Did he tell you, subsequently, that he telephoned Mr. Broe?

Mr. GERRITY. No, I do not know that he—my best recollection is that the only time he ever talked with Broe was at that first meeting, whatever date that was.

#### MR. GENEEN'S MEETING WITH MR. MITCHELL

Mr. BLUM. Now, on Tuesday, August 4, Mr. Geneen met with Mr. Mitchell. Do you know whether at that meeting there was any discussion of ITT's problems in Chile?

Mr. GERRITY. I was not there. I do not know.

Mr. BLUM. Did Mr. Geneen tell you what happened at that meeting?

Mr. GERRITY. Yes, he did.

Mr. BLUM. What did happen?

Mr. GERRITY. He told me that he went to see Mr. Mitchell to talk about the antitrust policy of the Government.

Mr. BLUM. Was that the only matter under discussion?

Mr. GERRITY. That is my understanding of it.

Mr. BLUM. You wrote a letter dated August 7, which I believe the committee has requested a copy of, to Vice President Agnew, thanking him for arranging the meeting. Did you arrange that meeting through the Vice President? [For text of letter, see Appendix I, p. 551.]

Mr. GERRITY. Sir, your statement is incorrect. No meeting was ever arranged by Vice President Agnew for us with Mr. Mitchell.

Mr. BLUM. Well, would you explain the reference in the Securities and Exchange Commission extract, item number 5? [See Appendix, I, p. 546.]

Mr. GERRITY. I can only say, Mr. Blum whoever wrote the extract has given a garbled version of what the document says.

Mr. BLUM. Would you mind providing us with an accurate record of what the document says?

Mr. GERRITY. No, sir.

Mr. BLUM. What did it say?

Mr. GERRITY. We are getting that for you now and we will provide that material.

Mr. SCHAFER. We will have those ready for this afternoon.

Senator CHURCH. This afternoon, because we requested them a long time ago.

Mr. SCHAFER. It has taken a long time.

Mr. GERRITY. I can tell you frankly, Mr. Agnew did not arrange a meeting.

Mr. BLUM. Do you know whether the subject of ITT's properties in Latin America were discussed in any way at that meeting?

Mr. GERRITY. You mean, the Mitchell meeting?

Mr. BLUM. Yes.

Mr. GERRITY. No, sir; I do not know but—I would not believe it would be but—I do not have the knowledge.



MEETING BETWEEN MESSRS. MERRIAM AND GENEEN AND MESSRS. COLSON  
AND EHRLICHMAN

Mr. BLUM: Following that there was another meeting, this meeting between Messrs. Merriam and Geneen and Messrs. Colson and Ehrlichman. Can you tell us what happened at that meeting?

Mr. GERRITY. Well, I am only a second-hand reporter on that.

Mr. BLUM. You did subsequently write a memorandum marked urgent and personal and confidential to Mr. Ryan giving him specific action instructions based on what happened.

Mr. GERRITY. That is correct.

Mr. BLUM. You must have known. Would you mind telling us?

Mr. GERRITY. Well, I just want to point out I was not there but I can convey to you my recollection of the meeting. Again, there was a meeting where antitrust policy of the Nixon administration was discussed.

Mr. BLUM. Was anything more specific than that said?

Mr. GERRITY. Well, we have been concerned for some time that we were being sued by the Antitrust Division of the Justice Department not on any real basis in law, that is, there were no legal reasons—I am not an attorney and I am relying on information that our attorneys had given to us—and our position was there was no real basis in law for the suits that had been filed by the administration, and that instead the policy being pursued by Mr. McLaren was that bigness is bad per se, and that he just had a notion or the Antitrust Division had a notion that a company should not be permitted to get big.

We were told by the administration, as I recall, that that was not its policy, that the administration was not opposed to bigness per se, but they would look at mergers and the whole merger trend during that period on a case-by-case basis.

We were—we took the position that this was clarifying the administration's position on antitrust as distinguished from the policy that was being administered.

Mr. BLUM. Was the case that you were discussing then pending in court?

Mr. GERRITY. I do not recall. We had three cases, Mr. Blum, we had three antitrust suits, and we thought all of them were rather unfair. We had pretty firm legal positions and we were sustained in the Federal courts on two of these cases and the third one was about to go to trial but we had one—

Mr. BLUM. They were at the time of this meeting with Mr. Colson and Mr. Ehrlichman pending cases in one way or another in the Federal courts, am I correct?

Mr. GERRITY. Let me check with Mr. Schafer. Mr. Schafer reminds me that we had prevailed in all three cases and all three were probably pending on appeal.

Mr. SCHAFER. It is a little complicated.

Mr. BLUM. Was the argument made at that meeting that ITT should receive special antitrust consideration because of its high-risk position in Latin America?

Mr. GERRITY. I do not recall any such argument brought up. I think this was just a discussion of pure policy.

Mr. BLUM. What were your instructions to the key people in Washington following that meeting?

Mr. GERRITY. Well, I tried to explain to them that Mr. McClaren apparently was pursuing one policy that appeared to be at variance with the policy that the administration thought it should follow, and I suggested that they be aware of this, and see if they heard anything coming back around Washington about any possible change in policy.

#### MEETING BETWEEN MR. RYAN AND MR. STANS

Mr. BLUM. Now, there was a later meeting between Mr. Ryan and Mr. Stans. Were you aware of that meeting?

Mr. GERRITY. No.

Mr. BLUM. Mr. Ryan and Mr. Stans. Did he inform you of that meeting?

Mr. GERRITY. I think he did, he probably did.

Mr. BLUM. What happened at that meeting?

Mr. GERRITY. My recollection of that meeting is that Ryan went to talk to Mr. Stans about the OFDI regulations which I think all U.S. companies operating abroad are concerned with and, after completing their discussion, Ryan was leaving and Mr. Stans asked him how we were doing with our antitrust problem and Mr. Ryan said, "Well, we prevailed in the lower courts and we would like to, hopefully, we would like to, settle these things or get them out of the way. They have taken an awful lot of our time." And my recollection is that Mr. Stans said, "Well, the best thing you can do is have your attorneys go over to the Justice Department and as has been done historically and see if you can work out something."

Mr. BLUM. And to your knowledge, there was no mention of Chile in that meeting?

Mr. GERRITY. That is right.

#### DISCUSSIONS OF MR. GENEEN AND MR. McCONE REGARDING OFFER

Mr. BLUM. Were you aware of the discussions that Mr. Geneen had with Mr. McCone with respect to the offer of up to seven figures?

Mr. GERRITY. No, sir; as I said to Senator Church, the first I heard of that was here yesterday.

#### MR. NEAL'S INSTRUCTIONS TO CONVEY OFFER

Mr. BLUM. Were you then unaware of the instructions to Mr. Neal to convey an offer of up to seven figures?

Mr. GERRITY. No; I was not. I will be glad to tell you about that.

Mr. BLUM. Would you, please?

Mr. GERRITY. Certainly.

At the time that idea arose it was quite plain to us at least, that Mr. Allende was about to be seated or elected President of Chile, and in a conversation I had with Mr. Geneen one day we discussed the chances of expropriation and nationalization, and we saw them as about, you know, 90 to 10, and we hoped naturally, we would not be expropriated, we hoped we would be able to work out an agreement on the basis of the agreement we had with the Frei government to buy our company out.

We had done the same thing, we had withdrawn from the communications business in Brazil, we had worked out an agreement in Peru,

we had worked out an agreement in Chile and we hoped that that agreement would be implemented.

Because of the fact that Allende's party for a couple of years had been recommending nationalization or expropriation of various industries we were concerned that we would probably be expropriated. So in talking with Mr. Geneen about this he said, "Maybe there is something we can do to demonstrate to Allende and to Chile that we have confidence in Chile, we have been there a long time, we would like to stay there, we have always had a good relationship there and we would like to maintain that," and I asked him what he had in mind and he said, "I think we should go to the State Department and see if they have any kind of a plan to encourage private enterprise, do something in an extraordinary fashion at this point in time, to reassure Mr. Allende." In other words, he had been espousing an anti-foreign investment line, an anti-U.S. investment line, and he said "Why do we not contact State and others and see if they have a program or a plan," the idea being they would gather together a group of companies, that is, State or someone, they would gather together a group of companies to come up with some sort of a program to confirm our confidence in and to help the Chilean economy."

And he said what do we do, and he talked about low-cost housing, he talked about some ideas he had on a farming program, he talked about——

Senator CHURCH. Mr. Gerrity——

Mr. GERRITY. Senator.

Senator CHURCH [continuing]. How many houses would a \$1 million build?

Mr. GERRITY. Senator, I am trying to make clear, we are talking—let me clarify that, we are talking about a group of American companies getting together with some sort of a program. We were talking, Senator, probably about seed money. I am not saying——

#### U. S. AID MONEY FOR DEVELOPING CHILEAN ECONOMY

Senator CHURCH. How much money had we already put into develop the economy of Chile in previous years through the aid program, something like \$1 billion, \$400 million, is that not correct?

Mr. GERRITY. Senator, that is my recollection, I think you would be up to date against that because it was your committee that approved those investments.

Senator CHURCH. Yes, the purpose of that program, as I recall, was to prevent a Marxist Government from taking over in Chile, and the end product was an election which brought Allende to power. So, if anything should have been clear at that point it was that money of this kind devoted to this purpose would have precious little effect on the politics of Chile, I should think.

#### BACKGROUND OF ITT'S DECISION REGARDING OFFER

Mr. GERRITY. I do not know if that is correct, Senator. You are saying a Government-directed program failed, maybe private enterprise should have taken a swing at it. At least, I am giving you the background of our decision, maybe if we had been able to go in there on a joint venture basis, a partnership basis, something would have

been worked out. At any rate, that is the background when I asked Mr. Geneen "Suppose we go to State and suppose they come up with a program they are going to say in effect, how much are you willing to support this with?"

Senator CHURCH. And you were going to say—

Mr. GERRITY. We kicked around some figures and finally he said, "We will tell them up to seven figures, at least to launch it," and he said "If something viable comes up or State comes up with something and it is supported by the other companies with investments there we can look at it and increase our investment."

Senator MUSKIE. Mr. Gerrity—

Mr. GERRITY. Senator—

Senator MUSKIE. All the documentation that we have seen thus far suggests that if money were put in by ITT, it was more likely to be used for destructive purposes rather than for the kind of constructive purposes which you described. Is there any documentation to which you can refer to suggest that the ideas you just described were being actively considered?

Mr. GERRITY. Sir, I do not know if there is any documentation on either side—

Senator MUSKIE. There is a lot of paper.

Mr. GERRITY [continuing]. that you are talking about.

Senator CHURCH. We have three volumes of documentation here that we have been questioning witnesses about for the last 2 days and we cannot find, in pouring through these three volumes of documents that relate to intercommunications from staff person to staff person, that relate to the conversations between ITT and CIA, that relate to the recommendations which you in writing made to the government for an action program in Chile. We cannot find in these three volumes of documents a single reference to any plan that had as its purpose the building of houses or giving the technical assistance to Chile. Is that not a peculiar thing?

Mr. GERRITY. I do not think so. I think this is a program that we talked about among ourselves. It was a sort of a quick term program, a spur of the moment thing.

I think it is significant, too, that despite all the discussion, Senator, nobody did anything. There was no overt action taken in any way, shape or form to subvert Mr. Allende.

Senator CHURCH. And the documents here are replete with the written words that describe the reason why, because in the end it was decided the plans here were unworkable. But there is no reference anywhere here in any of these documents to a plan to build houses in Chile or to give technical assistance or some other constructive gesture, not a single reference.

Mr. GERRITY. There is a very simple reason for that. When we talked to the Government about this, you know, apparently they found nothing was viable so there is no sense in setting down on a piece of paper plans to build housing or plans for import or anything.

Senator MUSKIE. No, the destructive proposals were not implemented either and they are down on paper.

Mr. GERRITY. Well, sir, I am not aware of any destructive proposals, Senator.

Senator MUSKIE. Really?

Mr. GERRITY. I think, Senator, we are talking about a couple of different years, too.

Senator CASE. Mr. Gerrity——

Mr. GERRITY. Yes, sir.

#### WHAT COULD BE ACCOMPLISHED WITH A MILLION DOLLARS?

Senator CASE [continuing]. It has been suggested that this is the cover story today to explain the million dollars. It is a very important point as you and your counsel obviously are very well aware.

Mr. GERRITY. Yes, sir.

Senator CASE. Why, what possibly was going to be accomplished in a 6-week period by any plans for long-range development in Chile? We are talking about 6 weeks.

Mr. GERRITY. Sir, it was not the idea that you could actually build houses or whatever you were going to do. There were several other ideas that we discussed. The idea was that we could get something going and we could go talk to the Allende Government to see if they were interested, that was the idea, sir.

Senator CASE. To the Allende Government?

Mr. GERRITY. Yes, sir.

Senator CASE. They were not the government yet, were they?

Mr. GERRITY. No, sir, we were anticipating that they would be, and we were trying to come up with some sort of a program with the U.S. Government.

Senator CASE. This million dollars then was not directed to the prevention of the ratification by the Chilean Congress of the election of Allende? This was not related to that at all?

Mr. GERRITY. No, sir.

Senator CASE. This plant was not a plant to prevent his being elected or ratified by the Chilean Congress?

Mr. GERRITY. No, sir.

Senator CASE. This was directed to a post-Allende——

Mr. GERRITY. That is right.

Senator CASE. —period in which you were going to make him happy about American——

Mr. GERRITY. Presence.

Senator CASE. —interests in and activity in Chile. This was the million dollars?

Mr. GERRITY. Yes, sir.

Senator CASE. And this was a great matter of immediate urgency, 6 weeks before he was elected?

Mr. GERRITY. Yes, sir, as we saw it.

Senator CHURCH. Then, this is a different million dollars than the million dollars to which Mr. McCone referred yesterday which he said in his sworn testimony was for the purpose of helping to form a coalition to block Allende?

Mr. GERRITY. I do not know anything——

Senator CHURCH. You do not know about that million dollars?

Mr. GERRITY. I do not know anything about Mr. McCone's conversations other than what I heard yesterday. I never heard of it before.

Senator CHURCH. You heard McCone's testimony.

Mr. GERRITY. Oh, I did, sir.

Senator CHURCH. You would not think he would lie to us.

Mr. GERRITY. I am sure he did not.

Senator MUSKIE. Mr. Gerrity—

Mr. GERRITY. Yes, sir.

#### FACTORS PERSUADING ITT PLAN NOT WORKABLE

Senator MUSKIE. Now, the spending of this million dollars did not take place because it was not workable. Why is it still not workable? Was its workability determined by events before the election by the Congress? Why did you not pursue it after Allende's election? Why did you not keep pushing for a coalition of companies to provide money for this purpose? What were the factors that persuaded you or your company that the plan you have described was not workable?

Mr. GERRITY. Sir, the Government of the United States did nothing about it so then we began on our own to negotiate with Mr. Allende, and we did that, sir.

Senator MUSKIE. You mean for this purpose—housing?

Mr. GERRITY. No, for the purpose—

Senator MUSKIE. Why did you not pursue that with him?

Mr. GERRITY. Sir, I was not present when our people talked with Mr. Allende, but it is possible, I will have to check, that they may have suggested these programs to Mr. Allende when they visited him subsequent to his election. I think perhaps in the spring of 1971 they may have done that very thing but I would have to check that for you.

Senator MUSKIE. Why was the plan discarded as unworkable?

Mr. GERRITY. I am confused about what is not workable and unworkable.

Senator CHURCH. This million dollars you are referring to, which you say was to be a gesture to build houses?

Mr. GERRITY. Sir, the only thing I recall being described as unworkable was the Broe idea. I think that is what has me confused. To try to be responsive, Senator Muskie, to your question, why was our idea discarded, we went to the State Department and we went to Mr. Kissinger and we laid it out for him and we said we will do it under your aegis, and we never heard back and they never came back to us, either State or Kissinger, and said "We think you fellows have a viable plan," so we just dropped it.

Senator MUSKIE. Did you talk to them about the social programs you are describing?

Mr. GERRITY. Yes, sir.

Senator MUSKIE. And they described these as unworkable?

Mr. GERRITY. No, sir, we just never heard a thing from them, from State or Mr. Kissinger. We never had a response, to the best of my knowledge, so we assumed they were not interested.

Senator MUSKIE. So you decided the plan was unworkable.

Mr. GERRITY. We decided that the United States Government was not interested and we could not undertake—

Senator MUSKIE. Well, the phrase unworkable, I am trying to get my hands on that.

Mr. GERRITY. That came up in another context, Senator, that had me confused, I am sorry.

Senator MUSKIE. I do not think so.

Mr. GERRITY. Sir, the unworkability came up on the occasion of Mr. Broe coming to me one day in New York and suggesting a plan for affecting the Chilean economy, and I described that plan, I said "we are not interested in it, and it was an unworkable plan."

Senator MUSKIE. Was that plan developed in connection with the expenditure of the million dollars?

Mr. GERRITY. No, sir, that had nothing to do with it.

Senator MUSKIE. There never was any connection between the two?

Mr. GERRITY. No, sir. The Broe plan was rejected, Senator.

Senator MUSKIE. Well, all plans were rejected as unworkable, including this one, as I understand it. So, I am curious as to why this aspect of it was unworkable and why it could not have been pursued after Allende was elected by companies interested in building good will with Mr. Allende.

Mr. GERRITY. I suppose it could be, Senator, but our point was that we asked that this program be developed by the Government of the United States.

#### OBJECTIVE OF BUILDING GOOD FAITH WITH MR. ALLENDE QUESTIONED

Senator MUSKIE. No, but my point is that you were interested in pursuing the plan only in the period between the popular election and the election by the Congress, and that you did not pick it up again afterwards. So there is a suggestion that even though it was for social programs, if it was, you were concerned with it for the purpose of influencing the election by the Congress rather than the long-term objective of building good faith with Mr. Allende.

Mr. GERRITY. Sir, I would disagree with that. We did everything possible to build good faith with Mr. Allende and, as a matter of fact, right today we would be glad to develop some sort of an agreement with Mr. Allende that would be agreeable to his country and to us. We had numerous talks with Mr. Allende. In fact, when our people were there in the spring of 1971 we made suggestions as to how we could help the whole economy because even then you could see the economy of Chile was going to rubble.

Senator MUSKIE. That does not seem to be the view of the Chilean Embassy, as disclosed in their release of today.

Senator PERCY. I think, Mr. Gerrity, the implausibility of this story is what bothers us. It just does not hang together. It does not make any kind of sense for reasonable, rational men—and I know the intelligence level of the men in ITT—to really feel that this assistance could have an impact. To presume that you were really doing this—to find a way to work with Allende—does not hold together because in the cable that was sent to you on September 17 by your own men, Hendrix and Berrellez, they said in paragraph 9:

The anti-Allende effort more than likely will require some outside financial support. The degree of this assistance will be known better around October 1. We have pledged our support if needed.

Now, if these are truly social programs, and there is a long record that American corporations do participate in social programs, then discussion should have been carried on with the State Department or with HUD, not with the CIA or with the National Security Council.

Mr. GERRITY. We did not discuss—

Senator PERCY. I think it is the implausibility of your case. You may be resting your case on a very weak point here and we do not want to belabor it, but it is just unbelievable.

We would like to find out what this fund was to be used for. It is our responsibility to find out how foreign policy is made and what degree of influence multinational corporations have in the creation of that foreign policy and what means they use. That is what we are having a great difficulty finding out here, because this does not hang together.

Mr. GERRITY. Well, Senator, I will tell you, I am trying to explain what my experience was, what my conversation was, conversations were, what my understanding has been, and what we have, what we tried to do and we are still trying to do. It is pretty tough to work out something with somebody if they will not communicate with people, and I have not seen the release that the Senator is talking about but I gather it does not indicate a community of interest, let us say, but we did try to work with Mr. Allende in every way, and this memorandum of September 17 was written before Mr. Allende became President, when it became apparent that Mr. Allende was going to become Chile's President we looked for ways, let us say, to reconcile our views and his. Let us be frank about it, we probably would have preferred that he probably not be elected, because he kept saying he was going to expropriate our property and we feared if he did we would not be fairly and adequately compensated, and he did expropriate our property and we have not been fairly and adequately compensated.

Senator CASE. That is perfectly true.

TOP SECRET DOCUMENT RECEIVED BY AMBASSADOR KORRY

Senator PERCY. Could I just go on to something further? I am trying to get at the reference point that occurred in that 1 week. Tuesday night you have a cable received by Ambassador Korry which apparently changed our course dramatically, the course of events and our American policy. You have already said that you disagree with the policy that has been followed. I would like to go back at a later point to the Business Week editorial to see what it is in that editorial which you felt was not at all close to the facts of the situation. Obviously, you wanted the American Government to take a much firmer, tougher line down there. I do not question for a minute, not only your responsibility but your duty to protect your investments as you can best protect them consistent with American policy. I would differ if I found a company, an American company, going beyond American policy, and I would differ a little bit if it used unusual tactics in trying to formulate that policy. You are citizens and there is no reason you should not make your input into your Government, and I do not question your right to do that.

But what I do wonder is what the tie-in is when on Tuesday night, September 15, Ambassador Korry received what must have been a highly classified, top secret document—we cannot get that document, if there is such a document. Have we requested the document and has it been furnished to us?

Mr. BLUM. We have requested it, Senator, and it has not been furnished.



Senator PERCY. We cannot get it and we are cleared for top secret.

Mr. GERRITY. It occurs to me, Senator—

Senator PERCY. And we will persist in trying to get that document. I cannot understand how your reporters, who are just reporters down there, sending back extremely interesting and highly perceptive information, are able to tell you on Thursday night, 11½ days or 2 days after this top secret cable is received, that the policy of the Government has now changed. Just to refresh your memory, your report said, "Ambassador Korry finally received the message of State Department giving him the green light to move in the name of President Nixon." The message gave him maximum authority to do all possible—"short of Dominican Republic-type action—to keep Allende from taking power." So now we are told that the company would be working with Allende and offering housing programs and technical assistance of a minuscule amount of money, even minuscule to ITT, much less to the whole Chilean Republic, and in the framework of our foreign assistance programs and the multibillion-dollar figures with which we have been dealing. I cannot figure out exactly why then there would be that kind of an offer for housing, and how you discovered this change in policy.

Was this the first word that you had received of this change in American policy?

Mr. GERRITY. Senator, I do not know that there was any change in American policy. I do not know if this message was ever sent.

Senator PERCY. Well, it says "finally received the message."

Mr. GERRITY. We have—this has never been corroborated. I think you have just heard here they have asked State for this message and you have not gotten a copy of it and I assume that maybe there was no such message sent. I do not know. All I know is what is reported here, and I can tell you this, when we received this message we did not get terribly excited about it. If it were true, fine, it is true, and let events take their course in the wake of it if that were an accurate report. In any case, there was nothing we could do about it.

#### PROGRAM ITT SUGGESTED TO STATE DEPARTMENT

I would like to go further, if you will indulge, our idea, and I will try to be clear, was to get, and we did talk to the State Department, Senator, we talked to the State Department, we talked to Mr. Kissinger, and the State Department and we suggested that we ask them if they have a program and then we give them a couple of ideas of our own and we said, "Look, why don't you get"—

Senator PERCY. Was that a program to stop Allende?

Mr. GERRITY. No, sir.

Senator PERCY. A program for what?

Mr. GERRITY. It was a program we hoped would be designed, as Mr. Neal said, the copper companies—

Senator PERCY. To prevent expropriation, was that the limit of the program?

Mr. GERRITY. I think some of them may have been expropriated at that time but they were then working, they were hoping they would be adequately compensated for their property, and our idea was if we could pool the efforts of everybody, that everybody throw in some money in here which might initially only be seed money which would

have to generate more money, we could come up with some sort of a viable program under the aegis of the State Department, the Government of the United States to improve the relationship with the Allende government, because there was every indication beforehand that he was strongly anti-United States and strongly anti-foreign investment.

Senator PERCY. If you tell me this is a program to try to find a way so that American companies would not have their properties expropriated, this is an absolutely legitimate function for American companies to engage in, and a perfectly proper inquiry for you to make of your Government.

If, however, by a program you meant a program to create economic chaos, to overthrow the government, to prevent the normal constitutional processes from taking place, then that is an entirely different situation. I think you can realize our concern if that is what you meant by the program.

Mr. GERRITY. No, sir, we did not mean that latter. We meant, and I think the record will show, Senator, that we did not do anything to induce economic chaos. As I pointed out earlier to Senator Church, that would have been self-defeating in our particular situation.

Senator CHURCH. Mr. Gerrity—

Mr. GERRITY. Yes, sir.

Senator CHURCH. You are asking us to believe that you thought you could influence a self-declared Marxist, who had in the course of his public life, in the course of a long election campaign, made it clear that he believed in the government's ownership of the basic resources of the country, the copper as well as the government's ownership in the telephone and communications system. He was clearly on record as believing in this; it is consistent with his Marxist view of economics, and having won the election, he was about to become President. The properties involved were worth hundreds of millions of dollars, if you take the ITT property alone it was worth—I have seen a figure of \$150 million.

Mr. GERRITY. Yes, sir.

Senator CHURCH. The American investments in copper were even larger. You have at least a half billion dollars worth of property involved here. And you are asking us to believe that right at the time that Allende's selection by the Congress became a near certainty, you are giving serious consideration to offering him a million dollars in the hopes that some of these other companies might offer some comparable amount, seed money, you say, to build some houses, that would persuade him not to proceed to take government control of properties worth over half a billion and properties, certainly the copper, being basic to the health and future well-being of the Chilean economy.

It does not make sense. You could not have believed it.

Mr. GERRITY. Sir, we were talking about more than a million dollars. I thought I made that clear.

Senator CHURCH. How much?

Mr. GERRITY. We were talking about that as an initial—

Senator CHURCH. If ITT was going to offer a million dollars and hoped that some other American companies would offer some comparable amount, certainly, that would indicate how large the total amount would be, it would be miniscule.

Mr. GERRITY. Let us say we had 50 companies and \$50 million—

Senator CHURCH. Now, wait a minute.

Mr. GERRITY [continuing]. As a starter.

Senator CHURCH. If you had \$150 million in investments, being one of the biggest investors there in Chile, and there were just two or three others of comparable size, and you were going to offer a million dollars, I do not think the seed money would amount to \$50 million. That does not make sense either.

Senator MUSKIE. Mr. Gerrity—

Mr. GERRITY. Yes, sir.

MEMO TO MR. GENEEN FROM MR. GERRITY, OCTOBER 20, 1970

Senator MUSKIE. There is a memo which you sent to Mr. Geneen on October 20, 1970. The tone of that memo, which was prior to the October congressional election, is far different from the one you have been expressing as being your attitude in connection with the million dollar plan. Let me read from that:

Assuming that Allende will take power on November 4, barring a last-minute coup, the following broad plan of action is recommended both to protect us, as best possible, in Chile and to guard against the inevitable reactions that will occur primarily in Argentina and Brazil.

In fact, though the formal Allende takeover has not occurred the effects are already being felt in Argentina as our reports indicate and as we had assumed.

It is important that we establish the following—on the record as much as possible:

What does the State Department estimate will happen to U.S. investment in Chile?

In the event of expropriation, what will the United States do? Will it take a hard line or go the "soft route" followed first in Peru and now in Bolivia? Will it press for payment in dollars to the expropriated owners?

Further down in the memo.

State has been absolutely wrong on the outcome in Chile, as other Government agencies have, but State has the fundamental responsibility for the U.S. position and it has been wrong consistently. It is our assumption that it will also, based on its record, probably be wrong about the effects of the Allende presidency.

As part of the overall action, we should ask our friends in Congress to warn the administration that continued mistreatment of U.S. private capital will bring about a cutoff of the U.S. taxpayers' funds to international banks.

Allende has already moved to take over communications—the press, radio, TV—in Chile—in emulation of his friend, Fidel Castro, of the Chinese Reds, and of the so-called proletarian dictatorships everywhere. Only El Mercurio and Radio Cooperativa Vitalicia holdout against his threats and intimidation, and once he is running the country their fate is sealed.

Freedom is dying in Chile and what it means to Latin America, and to us—to free men everywhere—is not pleasant to contemplate.

We should offer an additional action plan which would involve reduction of American diplomatic representation in such South American capitals as Santiago, Lima, La Paz, Quito, and so on.

Now, that memo on October 20 suggests a very hard line view of what? Of the prospects in Chile, the prospect of cooperation with Allende, and of the policy that our country should develop with respect to it?

How is that consistent with the soft line that you say was to be supported and promoted by the million dollar offer?

Mr. GERRITY. Sir, this memorandum here was written in October 20, 1970.

Senator MUSKIE. Prior to the election by the Congress?

Mr. GERRITY. This is 1 month or 6 weeks after we had submittted our proposal to the State Department on trying to put together some sort of a program.

Senator MUSKIE. But your evaluation of the prospect of a soft line as against a hard line could not have changed in 1 month.

Mr. GERRITY. Yes, it could, sir, certainly.

#### BASIS OF ITT'S CHANGE FROM SOFT TO HARD LINE

Senator MUSKIE. Could you tell us the basis of the change?

Mr. GERRITY. Well, let me explain, this memorandum here is written in October 20, 1970, in anticipation of a developing situation as we saw it coming in Chile, and what we saw coming in Chile was the eventual expropriation not only of most—

Senator MUSKIE. What had happened in that 30 days? You said that, with respect to the September 17 cable that you had from Hendrix and Berrellez, you were not excited about it; and that it was a hard line cable of recommendations to you and you were not impressed by it.

Now, what happened between then and October 20 that caused you to change your mind?

Mr. GERRITY. Well, we went to State and we made our proposal, Senator, and we had no reaction in September, about 6 weeks before this memorandum was written.

Senator MUSKIE. State's neutral reaction had nothing to do with changing your mind about the prospect of Chile through a soft line approach?

Mr. GERRITY. Sir, I have seen no signs today of a change in our policy toward Chile.

Senator MUSKIE. That does not answer my question. I am trying to find out why you were so enthusiastic about a soft line approach in September and argued that it was the thrust of the million dollar program, whereas a month later your attitude was 180 degrees different.

Mr. GERRITY. We got no support for a soft line so we went to the hard line. We started to talk about a hard line.

Senator MUSKIE. Was your attitude of soft line dependent solely upon State's reaction or your evaluation of the situation in Chile?

Mr. GERRITY. It depended, I think, Senator, on State's reaction. We could not undertake a program ourselves. We needed somebody to sponsor it. We would be willing to participate. We had no sign of co-operation or interest.

Senator MUSKIE. Well, given your evaluation of the prospects in Chile, how were you ever tempted to offer the soft line?

#### MEETING WITH MR. ALLENDE OF MARCH 1971

Mr. GERRITY. Let me take you a step further, Senator. In March 1971 after this was written, we sat down with Mr. Allende and we tried to work out an agreement with Mr. Allende and we were being, I think we had a very conciliatory meeting in March of 1971, and then his attitude suddenly changed in May 1971.

Senator MUSKIE. That suggests only that your evaluation of October 20 was in error.

Mr. GERRITY. I do not see why.

Senator MUSKIE. Well, in your memo of October 20, you indicated an attitude of complete pessimism about prospects for working with Allende. And you tell me that in March of 1971, you found the contrary, which suggests that your evaluation of October 20 was erroneous. But the other point is that if your evaluation was hard line on October 20, how does that square with your evaluation of soft line at the time of the million dollar program?

Mr. GERRITY. Sir, these things change all the time.

Senator MUSKIE. They sure do, so fast as to spin your head.

Mr. GERRITY. Well, Senator, I do not want to be facetious but all of us, including you, have changed our mind from time to time, and this is what we are doing.

#### MILLION DOLLAR OFFER TO STATE DEPARTMENT

Senator CHURCH. Mr. Gerrity, based upon all the testimony to date, and the case you have made, I personally find it difficult to believe that—I cannot believe, unless there is better evidence of it—that there ever was a soft line. Now, you say you went to State, and you made an offer of a million dollars for the purpose of building houses or giving technical assistance, something constructive. To whom did you make the offer?

Mr. GERRITY. Mr. Neal was our messenger and he talked to Mr. Meyer.

Senator CHURCH. Mr. Neal made the offer to Mr. Meyer?

Mr. GERRITY. That is my recollection, Senator.

Senator CHURCH. When?

Mr. GERRITY. Sir, can I refer you to a memo from Neal to Merriam of September 14, 1970.

Senator CHURCH. You say that Mr. Neal—

Mr. GERRITY. Yes, sir.

Senator CHURCH [continuing]. Made the offer at the State Department to Mr. Meyer, the Assistant Secretary of State?

Mr. GERRITY. Senator, he telephoned him on Saturday, he telephoned him on the weekend, this is dated the 14th, the 14th was a Monday, so this occurred on Saturday, the 12th.

Senator CHURCH. At this time Mr. Neal told Mr. Meyer what the money was for, that it was for a constructive purpose of this kind, and he made it very clear the nature of the offer?

Mr. GERRITY. That is my understanding, Senator.

Senator CHURCH. And the memorandum that Mr. Neal wrote to Mr. Merriam dated September 14, 1970, was written to explain the substance of that conversation or that offer and conversation that had taken place?

Mr. GERRITY. Well, this is kind of an omnibus memorandum but he is talking about his conversation with Mr. Vaky.

Senator CHURCH. Yes. This is the same, we are talking about Mr. Neal's report.

Mr. GERRITY. Yes, sir. Mr. Neal told me he had talked to Mr. Vaky about the million dollars.

Senator CHURCH. He talked to Mr. Vaky?

Mr. GERRITY. He talked to Mr. Vaky during this period, this is my recollection.

Senator CHURCH. So he spoke not only to Mr. Meyer, the Assistant Secretary of State, but he spoke to Mr. Vaky as well, about the million dollars?

Mr. GERRITY. Yes.

#### ITT ACTING ALONE

Senator PERCY. If I could clarify that, were there further conversations you had with other companies, Mr. Gerrity? In other words, were they making an offer not only on behalf of ITT but on behalf of other companies as well who might participate in such a program.

Mr. GERRITY. No, this was solely ITT with the idea we would ask State to see if they could crank up some other companies to participate.

Senator PERCY. Had you talked at any time to other companies about getting together a fund for this kind of a purpose?

Mr. GERRITY. No, sir; I do not recall that we had.

Senator PERCY. You had not talked to anyone?

Mr. GERRITY. No, sir.

Senator PERCY. You just simply said, "We would make this available"?

Mr. GERRITY. We went to State and said, "Look, here is an idea."

Senator PERCY. In which you evidently made it clear to Mr. Vaky and Assistant Secretary Meyer—

Mr. GERRITY. Yes, sir.

Senator PERCY [continuing]. That the million dollar fund was to be for such programs as housing and technical assistance?

Mr. GERRITY. Sir, that is what we suggested. We do not know exactly what Neal said to him but this is what I discussed with him.

Senator PERCY. I think that would be adequate verification for us.

Senator CHURCH. We should be able then to secure from Mr. Meyer and Mr. Vaky confirmation of this.

Mr. GERRITY. I would think you should, sir. I should think you would be able to obtain from them what transpired between them and Mr. Neal.

Senator CHURCH. We hope to have both of them as witnesses so we can ask them about it.

#### NEAL CONVERSATION WITH VAKY

Senator CASE. On this point, I would like to call to the attention of the committee and the witness a paragraph in the memorandum of Mr. Neal to Mr. Merriam which Mr. Merriam sent on to Mr. Gerrity. This document was dated September 14 and, at the bottom of the first page, the paragraph reads this way: "I," that is, Mr. Neal, "told Mr. Vaky" and he is Kissinger's assistant, "to tell Mr. Kissinger, Mr. Geneen is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures. I", that is Neal talking, "said Mr. Geneen's concern is not one of 'after the barn door has been locked' but that all along we have feared the Allende victory and have been trying unsuccessfully to get other American companies aroused over the fate of their investment and join us in pre-election efforts."

I point that out because it seems to me to have a rather significant bearing as to the meaning and intent of the million dollar offer here.

Mr. GERRITY. Let me explain that, Senator. All along we had been

getting reports or right up to the very last minute that Mr. Alessandri would probably prevail in the election. Then, when it became clear, at least to our information, that Allende was probably going to be elected, the reference here to after the barn door is that we thought we had better move to demonstrate to Mr. Allende our interest and our attitude before that election occurred.

Senator MUSKIE. Mr. Gerrity, Mr. Neal seems to have had a different view of the million dollar program than you have expressed.

In the September 30 memorandum which he sent to Mr. Merriam, he refers to the long-term program of economic assistance in the form of grants and loans, which the U.S. Government had been involved in in Chile. Then he says, "The foregoing means the United States realized the danger of Marxism in Chile; so fought it with grants and loans, but did not have the extra forethought to follow its intuition by taking a more active part during the pre-election period to assure the defeat of Allende."

That suggests the dismissal of the soft line in favor of the hard line of Mr. Neal. Then, in the last paragraph Mr. Neal suggests, "Why should the United States try to be so pious and sanctimonious in September and October of 1970 . . . ?" Would you use words like "pious and sanctimonious" with respect to his reluctance to use a soft line? Or would you use such words with respect to his reluctance to use what Mr. Neal considered the hard line, especially when he closes with this question "Why can't the fight be continued now that the battle is in the homestretch and the enemy is more clearly identifiable?"

Senator CASE. I would like to pinpoint it in the paragraph before the one that I read earlier, "Mr. Vaky says there has been a lot of thinking, lots of thinking about the Chile situation and it is a real tough one for the United States. I admit we understand the difficulty of the U.S. position but we hope White House, State and so forth, would take a neutral position or not be discouraged in the event Chile or others attempt to save the situation".

Now, that obviously speaks in terms of some sort of a coup in Chile or active intervention to save the situation.

Mr. GERRITY. Can I answer your question first and then come back?

Senator CASE. I am sorry, I thought we were—

Senator MUSKIE. I thought it was the same question, but handle it any way you like.

#### NEAL INTERPRETATION OF PURPOSE OF FUND

Mr. GERRITY. Two documents, but to answer yours, Senator Muskie, Jack Neal is a veteran Foreign Service officer, he was involved—I call him an anti-Communist warhorse—he has been essentially ideologically a hard liner, and this is Neal's opinion of what he thinks the situation is.

Now, Mr. Neal can think all that but that was not what we were thinking. Mr. Neal does not make the decisions as to where the company is going.

Senator MUSKIE. I know you refer to his memo of September 14 to document your point that the offer had been made to State. So I assumed that Mr. Neal made the offer in the terms that you described it to be intended.

Senator CASE. There is no evidence that if you disagreed with Mr. Neal's interpretation of this thing, you attempted to set the matter straight, and you knew what Mr. Neal thought at the time.

Mr. GERRITY. Well, Senator, it is one thing, Mr. Neal might be thinking one thing but he is doing another.

Senator CASE. Mr. Neal reports to you in these terms?

Mr. GERRITY. That is right.

Senator CASE. And you knew, therefore, what he was saying to State and to Dr. Kissinger's office.

Mr. GERRITY. That is right. Senator.

Senator CASE. Yet, as far as I know, you made no effort to correct the impression that Mr. Neal had given to either State or Dr. Kissinger's office.

Mr. GERRITY. Well, the impression he had given to either of these people is the impression I told him to convey. I am quite certain that is it as distinguished from what he is saying here about what he thinks here he is doing something different.

Senator CASE. I am sorry.

Senator CHURCH. Why is it that all the good things do not appear on paper anywhere? I mean, anybody reading this memorandum which relates to the exchanges between Mr. Neal and Mr. Meyer, Mr. Neal, and Mr. Vaky, would read it, you know, endlessly, could read it and re-read it and re-read it again, and never get the slightest suspicion that Mr. Neal had gone to the State Department to offer \$1 million to build houses and give technical assistance to agriculture. And in your reading it, there certainly is nothing in that memorandum that would convey such a message. I just cannot reconcile everything that appears in writing with your testimony.

Mr. GERRITY. Well, sir, I just explained what his purpose was here and what our plan was and what I had asked him to do or what he had been asked to do.

Senator PERCY. Mr. Chairman, I am not bothered by the fact it is not in writing. If it were discussed by the company with two officials of the U.S. Government—one a member of the National Security Council, and the other an Assistant Secretary of State for Latin America—as it has now been stated in sworn testimony, I think it is up to us to find out from those men what happened. I do not care whether it is in writing or verbal.

#### DISCREPANCY BETWEEN DOCUMENTS AND TESTIMONY

Senator CHURCH. We intend to do that, of course, but we have a written document that relates to this and one would think there would be some correlation between the written document and your description of the mission. But there is not.

Mr. GERRITY. Well, Senator, I would suggest if it was for any other purpose we would not go around writing memoranda about it.

Senator CHURCH. All right.

Mr. GERRITY. We would not communicate it to the State Department.

Senator CHURCH. The memorandum here that Mr. Neal submitted—

Mr. GERRITY. That memorandum is the one of September 14, we are talking about?



Senator CHURCH. Yes; it reveals no mission of the kind you have described. In fact, if you read the memorandum, you could only find it consistent with all the other documents that we have examined, which had to do with preventing Mr. Allende from coming to power or creating economic chaos, or forming a coalition for all of which purposes \$1 million would be a very significant contribution, a very substantial sum. But it is a trivial sum when connected with the purpose of giving economic assistance to a country the size of Chile.

#### PLAN TO BACK ANTI-ALLENDE NEWSPAPER

Senator PERCY. Mr. Gerrity, I would like to put the same question to you that I did yesterday. Was any part of the \$1 million ever considered to be spent as a part of a program to prop up an anti-Allende newspaper in Chile, to place advertising with it?

Mr. GERRITY. No, sir.

Senator PERCY. Or do anything that would continue a voice against the President-elect, the candidate that you assumed was going to be elected?

Mr. GERRITY. Sir, we did consider that but we did not increase our efforts.

Senator PERCY. At one point that was a part of the plan that was considered?

Mr. GERRITY. Yes, sir. We looked at that.

Senator PERCY. But it was rejected?

Mr. GERRITY. That is right. We had some recommendations that were discussed yesterday, but we did not reject that.

Senator PERCY. Thank you.

#### CONTRADICTORY TESTIMONY AS TO PURPOSE OF FUND

Mr. LEVINSON. Yes, I would just like to clarify two points with respect to this so-called soft line. One, the so-called soft line derives presumably from your instructions to Mr. Merriam, communicated to Mr. Neal, to tell Mr. Vaky and Mr. Meyer that the company was prepared to contribute a sum up to \$1 million for purposes of low-cost housing, social purposes, et cetera?

Mr. GERRITY. Right.

Mr. LEVINSON. Is that correct? That is what you communicated to Mr. Neal, that he was to communicate to Mr. Meyer and Mr. Vaky?

Mr. GERRITY. I said to the State Department and to Dr. Kissinger's office.

Mr. LEVINSON. To the State Department and to Dr. Kissinger's office?

Mr. GERRITY. Yes.

Mr. LEVINSON. OK.

We asked Mr. Neal in our preliminary interviews whether he could tell us what the money was to be used for; he could not. He said his instructions were to tell them just the money was up to seven figures.

Mr. GERRITY. That is right.

Mr. LEVINSON. If we did not ask that on direct examination I will make the request, Mr. Chairman, that we have Mr. Neal back so he can tell us under oath whether that was part of his instructions and

whether he did, in fact, communicate to Dr. Kissinger's office and to the State Department the purpose for which the money was to be used.

Secondly, I think it is essential, Mr. Chairman, that we have Mr. Vaky. We already know we will have Mr. Meyer. In our preliminary interviews with Mr. Meyer we asked whether Mr. Neal specified for what purpose the money was to be used. Mr. Meyer explicitly told us—and I believe that we will have that under oath when we have Mr. Meyer here—that no such purpose, no purpose at all, was specified with respect to the use of this money.

Senator Muskie, asked you why, when Mr. Allende had already been elected President, you did not pursue this offer of constructive purposes with the Allende Government. You said because you were going into negotiations, and you pointed out that you had a negotiating strategy and you had had meetings.

#### ITT'S NEGOTIATING STRATEGY IN CHILE

Now, the reason that the offer of funds for social purposes was not proposed is to be found, is it not, your February 11 memorandum to Mr. Geneen, in which you outline what you think would be a feasible negotiating strategy. Let me read from your memorandum:

It has occurred to me as it has to Jack Guilfoyle and Tim Dunleavy that perhaps we are near the time when we should approach Allende directly on the same basis we handled the situation in Peru in the wake of the IPC problem.

The IPC problem relates to the International Petroleum Co., a wholly owned subsidiary of the Standard Oil Co. of New Jersey, which was expropriated by the Peruvian Government in 1968.

Briefly, our thought is that we might suggest strongly to Allende that he make an agreement with us on the best possible terms we can arrange so that when he has to come to grips with the problems which will flow from his treatment of other American investment in Chile, he will be able to point to a satisfactory arrangement with us. In short, when the critics descend on him, assuming that he has made a reasonable arrangement with us, he can point to us as an example of how a fair deal can be completed if both sides approach the matter sensibly.

So the strategy was to persuade Allende to "settle with us, and then you will be able to deal with your other problems with other American companies satisfactorily," which was the same way ITT was able to persuade the Peruvians if they dealt reasonably with ITT they could deal with IPC as they desired. Therefore, there was no need for you to offer a constructive fund solution.

Mr. GERRITY. What do you want me to say to that?

Mr. LEVINSON. It is just simply to point out the answer to Senator Muskie's question as to why there is no evidence of any offer of a constructive fund in the post-Allende period.

Mr. GERRITY. Well, the only thing I can add is I do not know whether this recommendation was followed. I did not participate in the negotiations in Chile, and I have a recollection, which may be faulty, in that we did suggest during the negotiations with Mr. Allende how we might do something helpful to his government and to the economy. I am not sure of that.

Mr. LEVINSON. May I refer you to Mr. Guilfoyle's note, for the record. This is a July 9, 1971, memorandum, in which Guilfoyle says:

When Allende signs the copper legislation and formally expropriates Anaconda and Kennecott, there must be increased international resentment against the

Government of Chile, and, as in the case of Peru, on their expropriation of IPC, we were able to capitalize on this and eventually arrived at a deal which allowed them to announce internationally that copper and IPC were special cases and here is an arrangement we made in a reasonable negotiation with ITT. At this time it is impossible to commit that this will work, but it is clear that there is a possible opportunity and I think the door is cracked open a bit. It is my personal opinion that this is going to take several months to accomplish which means that we must settle the rate situation in order to have an adequate cash flow to keep the company operating.

So the strategy had matured to the point where Mr. Guilfoyle was prepared to advise Mr. Gencen that this be sent to the Board as a feasible way of settling your problems with Chile in the same way you had been able to accomplish it in Peru, that is, point out to the Chileans as you had pointed out to the Peruvians if they settled with you they could represent to the international financial world that they were financially responsible and reasonable people and then they could deal with the copper companies just the way the Peruvians had dealt with IPC.

"Do not worry about it. You can take care of them on their own terms."

Mr. GERRITY. I think that is a very pragmatic approach. We have at least \$150 million at stake. We have 300,000 shareholders to worry about. We are getting no general program about what to do with it so we are taking it to OPIC. Do you see anything wrong?

Senator CHURCH. I can see why you did not get very much cooperation from other companies.

#### OBLIGATION TO OPIC

Mr. LEVINSON. You did have an obligation to OPIC. Mr. Goldman's memorandum of October 2, 1970, deals with the conference with the AID people administering the investments guarantee program.

In that memorandum Mr. Goldman states that "We intended to keep AID fully informed as to any negotiations we may have with the Chilean Government." Now, the difference between the Peruvian and Chilean situations is that in Peru there was no investments guarantee which covered the IPC Co. that the loss was sustained by the Standard Oil Co. of New Jersey, the Exxon Corp.

Now the strategy that Mr. Guilfoyle was proposing as being sufficiently matured to bring to the Board, which you describe as pragmatic and which you characterize as there being nothing wrong with, involved copper companies in Chile which had very large investment guarantees covered by OPIC.

Mr. Goldman, in his memorandum, had stated that you had an obligation to keep OPIC informed of your negotiating strategy. Did you ever inform OPIC this is what you intended to do: to try to persuade the Chilean Government that if they settled with you that they could deal with the copper companies as they wished?

Mr. GERRITY. To answer you, I do not know whether we informed OPIC. I have not handled that relationship but I would think they are capable of handling their own situations. They have to deal with these governments, they have been down there as long as we have and we are talking about a situation here now that was in mid-1971. We have come a long way from the fall of 1970. A situation develops, ma-

tures, changes and you adapt to the situation, and this is exactly what we are doing here.

Mr. LEVINSON. And your adaptation was to try to persuade the Chileans that if they settled with you they would not have to settle with the copper companies or, at least, to imply they could get away with not settling with the copper companies and the loss would be borne by the United States under the investments guarantee agreement?

Mr. GERRITY. Sir, that may be suggested here, but I do not know that for a fact. I do not know what this is.

Mr. SCHAFER. Counsel, Mr. Guilfoyle is your next witness and he will be sure to answer your question.

Mr. GERRITY. He will be participating.

#### RECALL OF MR. NEAL CONSIDERED

Senator CHURCH. I have asked the members of the staff to review Mr. Neal's testimony, and that review is going on. We do not find in his testimony any statement to the effect that he offered a million dollars for the purpose of economic development, housing or technical assistance. He was the one whom you instructed to communicate with the State Department in the Administration and since this kind of an offer is helpful to the company, I should think that he would have wanted us to know that when he testified.

Mr. Blum, can you enlighten us on this? You have been reviewing the record of Mr. Neal's testimony.

Mr. BLUM. We questioned Mr. Neal, as you will recall, and I will read an extract from page 144 of the stenographic version of the transcript. The discussion was about the offer. I am asking, or this is Mr. Levinson:

If that was not what you were told to communicate to Mr. Vaky, that if the U. S. Government had a plan to stop Allende they could count on ITT for a sum of up to seven figures. That is the essence of it, is it not?

Mr. NEAL. I would say to Mr. Vaky exactly what I said here, and I did not elaborate on the seven figures.

In other words, his testimony was he offered seven figures and said nothing more.

Senator CHURCH. I think that under the circumstances the committee ought to consider the advisability of asking Mr. Neal to return for more extensive questioning on this point as well as to get the testimony of the Government witnesses.

#### ITT OFFER OF ASSISTANCE TO CHILEAN CANDIDATE

Senator PERCY. The reason I have been bothered about this particular point, and I have just gone back over the communication of September 17, 1970, Mr. Gerrity, is the instruction "This should be tightly held." This memorandum, as you know, discussed in great detail what the army might do, indicating that:

The armed forces boss, Rene Schneider, is fully aware of the danger of Allende moving in. But he will not budge an inch without Frei's okay. One retired general, Viaux, is all gung-ho about moving immediately, reason or not, but Matte said Schneider has threatened to have Viaux shot if he moves unilaterally.

Then, he said:

The leader we thought was missing is right there in the saddle, (Frel), but he will not move unless he is provided with a constitutional threat.

That threat must be provided one way or another through provocation. At the same time, a subtle but firm enough pressure must be brought to bear on Frel so that he will respond.

Then there is the important point that bears on this sum of money: "Matte did not mention money or any other needs. At the end when it was mentioned we were, as always, ready to contribute with what was necessary, he said we would be advised."

So there once again, a company representative is talking to the brother-in-law of a candidate that you anticipate could be elected President, proposing that if he needs money—and we are talking about an awful lot of things here, not involving housing and technical assistance—"then we stand ready to contribute." That is why I have great difficulty in reconciling the testimony.

But I am quite willing to wait until we have further corroboration. Certainly I think it would be extremely important if those discussions were carried on with two officials of the U.S. Government. Corroboration of such discussions would suffice for me, and I would not mind it if it was not in writing.

#### MR. NEAL'S INSTRUCTIONS

Senator CHURCH. If I may go back for a moment to the record——

Mr. GERRITY. Yes, sir.

Senator CHURCH. You have testified that you sent Mr. Neal to Mr. Meyer.

Mr. GERRITY. I did not send him directly, Senator.

Senator CHURCH. Well, he worked for you, did he not?

Mr. GERRITY. He worked in the Washington office.

Senator CHURCH. And you were the director of the Washington office.

Mr. GERRITY. Yes, sir. Wait a minute, I was not director of the Washington office, Mr. Merriam was.

Senator CHURCH. You testified Mr. Neal was the man who was sent?

Mr. GERRITY. That is right, sir.

Senator CHURCH. You have testified that he was instructed to offer the Government a million dollars for the purpose of being put to some constructive use like technical assistance to agriculture or housing?

Mr. GERRITY. Sir, I did not instruct Mr. Neal. It is my belief that he was instructed that way. I did not personally instruct Mr. Neal. I passed down some personal instructions to Mr. Merriam who instructed Mr. Neal, it is my assumption he did but I could be wrong in my assumption. I do not know what he said to Mr. Vaky or Mr. Meyer.

Senator CHURCH. Mr. Gerrity, if you were going to make such an important offer as this that you now are hanging the case on, that the million dollars was intended for constructive purposes, and was to be part of seed money for a gesture toward Allende, certainly that would have been made clear to Mr. Neal. The importance of it was such that it would be made clear to Mr. Neal, who was an experienced diplomat, who, if he knew nothing else, knew how to communicate instructions from his superior to the State Department. I cannot imagine sending anybody to the State Department who is better experienced or quali-

fied to be exact in carrying those instructions out in a matter of such critical importance to the company. Yet here is his testimony, his sworn testimony. Mr. Blum asked him just yesterday:

"Mr. Neal, what did you expect the Government to do with the money? What kind of plan was it and how might it be implemented, in your judgment?"

Mr. Neal responded, "We did not go into that, Mr. Blum, not at all."

Then, continuing, he said, "The memorandum reads as I made this, gave Mr. Vaky this message, and some place in here he said he appreciated Mr. Geneen's interest and he would pass this on to Dr. Kissinger," and that was it. That was it.

Mr. GERRITY. I am not attempting to say what Mr. Neal said, Senator.

Senator CHURCH. Well—

Mr. GERRITY. I do not know what he said, I was not there.

Senator CASE. Mr. Chairman, just one further point along this line. Would you refer to your memorandum that you sent to Mr. Geneen on October 27 of which a copy was sent later to Dr. Kissinger. [See Appendix II, p. 715.]

#### ITT ASSESSMENT OF CHILE SENT TO KISSINGER

Senator CASE. It is called "United States at the Crossroads: A Needed Reappraisal of Our Latin American Policy." I refer you to it now just for this purpose. For example, it is suggested that our Ambassador to Chile seek an early audience with President Allende and that his approach might include a review of our historic relationship and the democratic aspirations of our two countries, and point out the large amount of economic and social contributions made to Chile by United States private investment. That, frankly, was not the particular point—it has general significance but the particular point I wanted to emphasize here is on page 136, here it is.

Our prestige and influence are at a low ebb in Latin America. They are low because our policies and diplomacy have been weak and indecisive. We have not used properly the legislative implements, such as the Hickenlooper Amendment, to our advantage as a diplomatic tool. Yet, large amounts of U.S. aid continue to flow into the area, in an increasing amount, while at the same time, there has been growing discrimination against our citizens.

And the point that I am making is that this whole memorandum shows a very definite attitude on the part of ITT, a very clear attitude, that all of the money that has been spent for aid to Latin America and particularly to Chile had been poured in there without any advantage. In light of that view, how would some relatively small fund for these same purposes have any effect?

Senator MUSKIE. Senator, would it be well for you to read into the record the third paragraph on page 136?

Senator CASE. Yes, indeed, I will be happy to. You mean about prestige and influence?

Senator MUSKIE. No, Congress feels this type of assistance—

Senator CASE. Yes; following the reference I made before to our prestige and influence being at a low ebb and still large amounts of American aid are continuing to flow in the area, Senator Muskie suggests that I read from the memorandum, "Congress feels this type of assistance should end; the people of the United States certainly agree, and our private corporations know too well it has been counterpro-

ductive." This, of course, sharpens the point that I was making before: that there is every evidence from all the documentation—the internal discussions within the company, the reports, the references, the representations made to our Government—that ITT feels that foreign aid is of little, if any, use.

Mr. GERRITY. Sir, I did not hear the end.

Senator CASE. I am sorry. I asked you to comment on the suggestion that the whole body of evidence, memorandums, internal communications in the company, communications among all of you shows great disillusionment on the part of ITT with a program of aid to Chile. My point is that this adds to the difficulty of believing that the company thought that a relatively small amount of additional aid would be of any value.

Mr. GERRITY. I understand, Senator.

Senator CASE. You get the point?

Mr. GERRITY. Yes, sir.

#### INTERPRETATION OF HENDRIX PROMISE TO MATTE

Senator PERCY. Mr. Chairman, could I just refer to one point?

Mr. Gerrity, would you care to comment on what you feel that your man, Mr. Hendrix, had in mind when he said to Mr. Matte, "We were, as always, ready to contribute with what was necessary"? This is stated right in the context of provoking some sort of a constitutional threat to encourage Mr. Frei to step into the situation, which would then give the go-ahead signal to the army.

Was that part of a million dollars he was talking about? What was he going to contribute? I imagine, when he said "We were," that that meant ITT was ready to contribute what was necessary, and he said he would let you know. What was he talking about.

Mr. GERRITY. Senator, I believe that was Mr. Berrellez who had the conversation with Mr. Matte.

Senator PERCY. Correct.

Mr. GERRITY. And I think he explained that yesterday, but my—first of all, I would not have known about this million dollars that we are talking about. Secondly, Mr. Berrellez was not authorized, nor am I, for that matter, to spend any sums of money for this sort of purpose. So that I think he was, as he said yesterday, just expressing in Spanish—I think he explained it to me—he was leaving Mr. Matte at the time, and as a gesture of farewell, this is what he said. I did not regard it as significant and I do not—and in any case, no money was given to Mr. Matte.

Senator PERCY. But he said in this context that Matte did not mention money or any other needs, and then he went right ahead and said "We will contribute whatever was needed." He did not have money in his mind?

Mr. GERRITY. No, sir, he did not.

Senator PERCY. He did not? What kind of a contribution do you think he had in mind?

Mr. GERRITY. I think he was saying, "We will support you." He explained to me it was a gesture in typical Latin terms.

Senator CHURCH. We went through that yesterday and the Spanish turned out to mean the same thing as the English. It means we are ready to service, assist, contribute. That is a literal translation.

Mr. GERRITY. I think it was a throw-away line. He explained he was trying to draw Mr. Matte in that conversation. I was not there.

Senator CHURCH. I think the words speak for themselves, whether in English or Spanish.

Mr. GERRITY. I have to rely on his interpretation, Senator.

#### NEAL MESSAGE QUESTIONED AGAIN

Senator CHURCH. I have just one final question. You have told us Mr. Neal was the man sent by ITT to tell the Government through Mr. Meyer at State that ITT had a million dollars for the purpose of giving constructive assistance in the way of housing or technical assistance to agriculture or whatever.

Mr. Neal has testified under oath that he did not have any conversation with Mr. Meyer concerning such purposes. Was there anyone else ITT sent to communicate this very message to the Government?

Mr. GERRITY. No one I am aware of. In terms as I understood him, I am confused about what you said about Mr. Neal.

Senator CHURCH. I read you his question and his answer.

Mr. GERRITY. Yes, I am baffled because that was his purpose in going to State as I read it, on the basis of my conversation with Mr. Geneen. Now the only other one that went to Government that I am aware of is Mr. McCone.

Senator CHURCH. Yes.

Mr. GERRITY. And, as I said, I learned that yesterday.

Senator CHURCH. Well, I am baffled too, because Mr. Neal was an experienced diplomat.

Mr. GERRITY. Yes, sir.

Senator CHURCH. And his whole life had been directed toward careful communication.

Mr. GERRITY. Yes, indeed.

Senator CHURCH. I have no further questions.

Senator MUSKIE. I would like to ask just one question.

#### WOULD FUND BE ACT OF POLITICAL INTERVENTION?

Mr. Gerrity, even if the fund were for the constructive social purposes you have described, would not the announcement of its creation between the two elections have been an act of political intervention?

Mr. GERRITY. Sir, I do not know the answer to that. We went to State. At least, I thought we did, and made clear our thorough position. I do not know how State would handle that.

Senator MUSKIE. I do not know how it was handled. It may well be that if that kind of an offer were made to State and it was rejected, one of the reasons for its rejection might have been the judgment I have just suggested. What I am asking you is whether the company would not regard it as an act of possible political intervention.

Mr. GERRITY. Well, I do not know the right word to use but I would not know the protocol of a situation like that. If State had agreed to sponsor for such a program, I would imagine they would know—I would not know how to handle it, Senator.

Senator MUSKIE. By that you mean to suggest that if it were badly handled, it would have been an act of political intervention?



Mr. GERRITY. I do not know what they would do, sir, and I am not trying to dissemble, but I just do not know.

Senator CHURCH. Fine. Mr. Gerrity, if there are no further questions, that is all, Mr. Gerrity, and the hearing will resume at 2:30.

[Whereupon, at 12:05 p.m., the hearing was recessed, to reconvene at 2:30 p.m., this day.]

#### AFTERNOON SESSION

Senator CHURCH. The hearing will please come to order.

Our next witness is Mr. John Guilfoyle of ITT.

Mr. Guilfoyle, will you stand and be sworn, please.

Do you swear that all the testimony you give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GUILFOYLE. I do.

Senator CHURCH. Please sit down. You have a prepared statement, and we will receive that for the record where it will be included in full as part of your sworn testimony.

You are aware of the rule of the committee that any prepared statement should be received by the committee 24 hours in advance, so we will include your statement at this point in the record and proceed with questions.

#### TESTIMONY OF JOHN W. GUILFOYLE, VICE PRESIDENT, GROUP EXECUTIVE FOR LATIN AMERICAN OPERATIONS; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. GUILFOYLE

Mr. GUILFOYLE. I was not aware, Mr. Chairman, that there was a 24-hour rule, I apologize.

Senator CHURCH. Mr. Levinson or Mr. Blum.

Mr. SCHAFER. Is he not permitted to read the statement?

Senator CHURCH. The statement will be included in full in the record and it can be made available to the press. It is just a matter of saving time of the committee. That is why we have the 24-hour rule.

Mr. GUILFOYLE. The matter came up rather late because of the things that came up during the course of the hearings. That is why we are late with the statement.

Senator CHURCH. I think we had better adhere to the 24-hour rules because we wanted to apply the same rule to all witnesses. But the full text will go in the record at this point, and if you have extra copies, we will make them available to the press.

Mr. GUILFOYLE. Thank you.

[The statement of Mr. Guilfoyle follows:]

#### STATEMENT OF JOHN W. GUILFOYLE

In the Statement of March 20, 1973 issued by the chairman of the Subcommittee at the opening of these hearings, there were several references to ITT's pending claim under its expropriation insurance policies with the Overseas Private Company (OPIC). The statement said:

"The telephone properties of the ITT company were guaranteed against expropriation by an insurance policy originally issued by the Agency for International Development. This policy is now administered by the Overseas Private

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Investment Corporation. The Chilean Government has intervened the properties of the Company. In the event the company is entitled to compensation, the potential liability for OPIC is an estimated \$96.5 million.

"The answers to the above questions may have a bearing on whether the company is entitled to be paid compensation under the insurance policy."

Since inquiries from the press and members of the public indicate that some confusion has apparently arisen with respect to the factual circumstances and the timing of the events which led up to the governmental seizure of Chiltelco, I would like to clarify the record on this matter.

On October 8, 1971, an ITT subsidiary (International Telephone and Telegraph Corporation, Sud America) which owned 70% of the stock of Compania de telefonos de Chile (Chiltelco) filed with the Overseas Private Investment Corporation (OPIC) in Washington a claim under the expropriation coverage of its Contracts of Guaranty. The amount of this claim is approximately \$92,567,000.

This claim was based upon a series of harrassing actions by the Chilean government which culminated in a statement made by President Allende to ITT representatives on May 26, 1971, that the Chilean government had decided to nationalize Chiltelco as quickly as possible.

Prior thereto, threats of expropriation of Chiltelco during the Chilean 1970 presidential campaign had inhibited Chiltelco's ability to obtain financing.

In January, 1971, the government of Chile imposed on Chiltelco mandatory increases of more than 40% in wages and salaries, 145% in fringe benefits, and 137% in corporate taxes.

Thereafter, the deliberate denial by the Chilean government in early 1971 of a rate increase, coupled with the imposition of substantial cost increases, caused a severe cash shortage for Chiltelco.

Denial of a public utility's request for periodic rate increases can cause rapid and severe financial deterioration, particularly in an economy such as Chile which has a high rate of inflation where costs rise very rapidly.

ITT's claim pointed out that this sequence of events constituted expropriatory action by the government of Chile which occurred not later than May 26, 1971, the date of the government's statement of its intention to nationalize Chiltelco as quickly as possible. "Expropriatory action" is specifically defined in the OPIC contracts, and the definition does not require actual seizure of the insured property.

There can be no doubt that this course of events was the direct result of Chilean government action.

It is equally obvious that all of these events occurred substantially before Jack Anderson's disclosure of stolen internal ITT documents in March, 1972. The denial of the vitally important rate increase in the first few months of 1971 and the deliberate escalation of Chiltelco's costs as well as the move to nationalize Chiltelco all occurred approximately a year before the first appearance of the Anderson articles.

It is a matter of public record, as reflected in the public statements made by President Allende, that the Chilean government did not know of the existence of the documents alluded to by Mr. Anderson prior to their publication.

The Chilean government "intervened" or seized control of Chiltelco on September 29, 1971—six months before publication of the Anderson articles. This seizure by the Chilean government followed an exhaustive series of good faith negotiations by ITT with President Allende and other high level officials of the Chilean government in an attempt to reach a negotiated sale of all of ITT's remaining interest in Chiltelco to the government. Those negotiations foundered because the Chilean government insisted on taking over Chiltelco before reaching agreement on the amount of compensation to which ITT would be entitled. To accede to such a demand would have been irresponsible, as the history of the Chilean government's actions regarding the large copper properties owned by U.S. interests clearly shows.

There has been some comment regarding a clause in the OPIC contracts which provides that an action provoked or instigated is not an expropriatory action within the meaning of the contracts.

Certainly it is clear that all of the expropriatory actions—the denial of the rate increase, the deliberate imposition of unmanageable costs, the making of unreasonable demands in negotiations, and finally the seizure and takeover of Chiltelco—were not provoked or instigated by any alleged actions by ITT, or even by the Anderson publication which came some six months after the actual seizure of Chiltelco.

— It is equally clear that the Chilean government simply took advantage of Anderson's charges to attempt to justify its failure to pay for the property it had previously seized.

There is no justification for any assertion that ITT provoked or instigated the seizure of Chiltelco by the government of Chile, or for any assertion that ITT is not entitled to be paid compensation under the expropriation insurance policies which ITT purchased from OPIC.

Mr. BLUM. Mr. Guilfoyle, will you state your full name and address for the record?

Mr. GUILFOYLE. John W. Guilfoyle, and my office address is 320 Park Avenue.

#### GUILFOYLE RESPONSIBILITIES

Mr. BLUM. What is your present position?

Mr. GUILFOYLE. I am vice president, Group Executive for Latin American Operations.

Mr. BLUM. How long have you worked for the company?

Mr. GUILFOYLE. Over 22 years.

Mr. BLUM. How long have you held responsibility for Latin American Operations?

Mr. GUILFOYLE. Since 1968.

Mr. BLUM. And you had the same responsibilities in 1970 and 1971?

Mr. GUILFOYLE. Yes.

Mr. BLUM. Did you have line responsibility for the Chilean Telephone Co.?

Mr. GUILFOYLE. Yes, I did.

Mr. BLUM. You are based in New York, is that correct?

Mr. GUILFOYLE. I am based in New York.

Mr. BLUM. Did Mr. Holmes, the general manager of Chiltelco, report to you?

Mr. GUILFOYLE. Mr. Holmes reported through the general manager of the telephone operating group, who reported directly to me.

Mr. BLUM. How about Mr. Gillen of the Chilean manufacturing facility?

Mr. GUILFOYLE. He reported through the general manager of the manufacturing operations group.

Mr. BLUM. To you?

Mr. GUILFOYLE. To me.

Mr. BLUM. What is your relation—

Mr. GUILFOYLE. There is a group general manager in manufacturing and group general manager in operating reporting to me and Gillen and Holmes reported to them.

Mr. BLUM. What is your relationship in the company to Mr. Gerrity, Mr. Hendrix, and Mr. Berrellez?

Mr. GUILFOYLE. Mr. Gerrity, Mr. Hendrix, and Mr. Berrellez are on the public relations staff. They provide staff services to me and to the other line operations people.

Mr. BLUM. Are you the company executive now charged with handling the negotiations with respect to Chiltelco and the OPIC claim with respect to Chiltelco?

Mr. GUILFOYLE. Yes, I am.

Mr. BLUM. Are there any negotiations presently under way with the Chilean Government with respect to Chiltelco?

Mr. GUILFOYLE. No direct negotiations.

## CHILTELCO CONVENIO

Mr. BLUM. For the record, would you tell the committee what the term "convenio" means as it applied to Chiltelco?

Mr. GUILFOYLE. The convenio is a contract.

Mr. BLUM. Five years in term generally?

Mr. GUILFOYLE. It would vary, but the convenio you are referring to would be the convenio of 1967 in which we agreed with the Government of Chile to provide an expansion program of 144,000 lines. We agreed that the financing of the imported equipment would be financed on a government to government loan basis between certain European countries and the Government of Chile in return for which Corfo received stock ownership in Chiltelco.

In return ITT agreed to reinvest 70 percent of all of its income during the period of the convenio.

Mr. BLUM. In other words, the convenio is an agreement which covers everything there is in terms of the relationships between the company and Chilean Government in the period in question, is that correct?

Mr. GUILFOYLE. No, sir, Mr. Blum, that is not correct.

The convenio only covered that area of the 5-year expansion program to provide telephones in given areas as directed by the government at that time, and a method for financing.

In addition, it provided a method for the Government of Chile to acquire 49 percent of the company and a vehicle to acquire the other 51 percent.

## PARTIAL BUY-OUT OF CHILTELCO PLANNED

Mr. BLUM. So what you had developed in that convenio was a plan for certainly a partial buy-out of Chiltelco and a pattern perhaps for a complete takeover by the Corfo, the Chilean Government Development Corp.

Mr. GUILFOYLE. In the case of the buy-out it was merely an extension of the existing concession contract between the Government of Chile and ITT which had been in effect since 1930. In that concession contract there is a provision the Government of Chile at any time may acquire the telephone company at book value.

Mr. BLUM. Was the ITT policy to gradually get out of the telephone operating end of the business overseas where it could be done on a sellout basis.

Mr. GUILFOYLE. I would phrase it to say it appeared to be more of a policy of governments worldwide in which they preferred to own and operate their own telephone operations.

## OTHER COMPANIES BOUGHT OUT

Mr. BLUM. How many telephone systems, which had been owned by ITT in different countries, have been taken over or bought out by the various local governments prior to this Chiltelco problem?

Mr. GUILFOYLE. The only one taken over in that sense was the Cuban Telephone Co.

Mr. BLUM. How many bought out?

Mr. GUILFOYLE. Well, Argentina, Brazil; company in Brazil—there are many companies there—Peru, Spain there were several—probably half a dozen total.

Mr. BLUM. Are there any telephone operating companies outside the United States or its possession which ITT presently owns.

Mr. GUILFOYLE. No, there are not. Puerto Rico and the Virgin Islands are the only two we operate.

Mr. BLUM. So Chiltelco is the last non-U.S. telephone operating company which ITT owns; is that correct?

Mr. GUILFOYLE. That is correct, after the 1969 sale of Peru Telco.

#### LOCAL OWNERSHIP OF TELEPHONE COMPANY PREFERRED

Mr. BLUM. Can you give the committee some understanding of why it is local governments prefer to own their telephone companies?

Mr. GUILFOYLE. Yes; I think in general almost all countries feel that the telephone system is sensitive, that it has a military-security aspect to it, and basically those appear to be the reasons.

Secondly, in my experience, a telephone company is a regulated industry. Whether it is in a foreign country or within the United States, a regulated industry which must expand, must have an adequate rate structure in order to produce cash and net income in order to expand. Rate increases are very unpopular in most countries, and I think the newspapers have indicated that even in the United States recently.

As a result the rate increase becomes a political issue many times, and the governments, I think, as a second reason, wished to have the ownership to decide whether they would fund from their own government sources rather than through other vehicles—rates, and other ways to finance.

Mr. BLUM. So it is not surprising that in Chile, with the last U.S.-owned operating telephone company outside the United States, there would also be pressure to take the property over?

Mr. GUILFOYLE. Surprising? The only surprise is that they did not live up to the terms of the contractual conditions we had negotiated with them.

Mr. BLUM. I take it that that would be a matter of some dispute with the Chileans; they would argue that they had.

Mr. GUILFOYLE. No. I think that until 1971 when we were in discussions with them, there was no dispute. I direct you, Mr. Blum, to the fact that they acquired 24 percent of the company, they were on their way of acquiring another 25 percent of the company; there is a 6-percent ownership in the company by Chilean civilians. It was a stock traded on the Chilean stock exchange.

Senator CHURCH. The purchase that had taken place, had taken place under the Frei regime?

Mr. GUILFOYLE. Yes, sir; but did continue early in 1970 and 1971.

Mr. BLUM. So as you portray it, that relations were fairly smooth into early 1971?

Mr. GUILFOYLE. In the context of your earlier question, yes.

#### VALUE OF CHILTELCO

Mr. BLUM. What was the book value of ITT's interest in Chiltelco in 1970?

Mr. GUILFOYLE. Including the receivables, \$153 million in round numbers.

Mr. BLUM. And what percentage of ITT's total earnings did that represent, did Chiltelco represent? Do you have any idea?

Mr. GUILFOYLE. In what period?

Mr. BLUM. 1970.

Mr. GUILFOYLE. I would have difficulty. I would be guessing. It was not a substantially large amount. It was significant.

Mr. BLUM. How about its importance to ITT's cash flow picture?

Mr. GUILFOYLE. Relatively minor, because if you will recall a moment ago I indicated that we committed ourselves to reinvest 70 percent of all of the net income and, therefore, could only return 30 percent.

In fact, I think there is a statistic that I discussed with you previously, in a 10-year period we put \$84 million into the telephone company and remitted \$16 million in the same period or a 6-to-1 ratio going south.

Mr. BLUM. A minute ago you described the telephone business as a capital hungry business, you are always having to invest more money to maintain service, is that a correct description of the business?

Mr. GUILFOYLE. No; it is a capital hungry business when it is in a location which must expand, and that is particularly significant in any of the developing countries.

Mr. BLUM. So that simply to meet the demands in Chile you would have to put in fresh capital, if you are going to satisfy the Chilean consumer and the Chilean Government?

Mr. GUILFOYLE. That was the basis of the convenio.

Mr. LEVINSON. When we met with Mr. McCone in a preliminary interview he had mentioned a book value of \$160 million, and earnings of something like \$10 to \$15 million per year, is that correct?

Mr. GUILFOYLE. The \$160 million figure he refers to is a few million more than that is, the total ITT investments in all of our operations, that would be telephone company, hotels, manufacturing operations, and international communications. The net income figure is slightly over \$10 million.

Mr. LEVINSON. Is that for all properties, or Chiltelco alone?

Mr. GUILFOYLE. That would be for all properties.

Mr. LEVINSON. What was the net income for Chiltelco?

Mr. GUILFOYLE. Chiltelco would probably be 90 percent of it.

Mr. LEVINSON. Thank you.

Mr. BLUM. When did you begin negotiations with the Chilean Government with respect to the purchase by the government of Chiltelco? This is after the Allende election.

Do you recall that?

Mr. GUILFOYLE. You are speaking of now in the period of the Allende government?

Mr. BLUM. Yes, was that 1971?

Mr. GUILFOYLE. That was March of 1971.

#### CALLING OTHER COMPANIES ABOUT CHILE SITUATION

Mr. BLUM. You were one of the people who were involved in the question of calling other companies to find out what was happening on the Chilean situation; were you one of the people?

Mr. GUILFOYLE. Yes, sir.

Mr. BLUM. Did you call other companies?

Mr. GUILFOYLE. Yes, sir.

Mr. BLUM. Repeatedly, to find out what was happening?

Mr. GUILFOYLE. Repeatedly, no.

Mr. BLUM. Were you asked by Mr. Gerrity to make those calls?

Mr. GUILFOYLE. Some time in late September, yes.

Mr. BLUM. Did he ask you to call and ask whether they were interested in assisting in a plan to create economic chaos?

Mr. GUILFOYLE. No, he did not.

Mr. BLUM. Did he ever mention talking to Mr. Broe?

Mr. GUILFOYLE. No, he did not.

Mr. BLUM. Did he ever tell you that Mr. Geneen had talked to Mr. Broe?

Mr. GUILFOYLE. No.

Mr. BLUM. Did you hear any report of a conversation between Mr. McCone and Mr. Broe?

Mr. GUILFOYLE. I did not.

Senator CHURCH. What were you calling the companies about?

Mr. GUILFOYLE. Senator, I called two companies to see what was their impression of what the situation was in Chile at that time, the question being did the Alessandri formula that the Chilean political forces had developed, to see what their feel was.

Senator CHURCH. Was this in September of 1970?

Mr. GUILFOYLE. Yes, it would have been in September.

Senator CHURCH. That was before the congress had voted?

Mr. GUILFOYLE. Yes, the interim period.

#### BROE'S SUGGESTIONS

Mr. BLUM. On the second page of Mr. Gerrity's cable to Mr. Geneen of September 29 about the meeting he had with Mr. Broe, "A list of companies was provided and it was suggested that we approach them as indicated. I was told that of all the companies involved, ours alone had been responsive . . ." and then, "I discussed the suggestions with Guilfoyle. He contacted a couple of companies who said they had been given advice which is directly contrary to the suggestions I received."

Now, you just said in your direct testimony that he never discussed his meeting with Mr. Broe with you.

Would you mind explaining that paragraph?

Mr. GUILFOYLE. Yes. I think, as I have explained previously, Mr. Gerrity called me and raised the question with me that he had a visitor whom he did not identify, and said there was a recommendation that possibly bank accounts, et cetera, could be effective in Chile.

Mr. BLUM. Effective in doing what?

Mr. GUILFOYLE. Effective in, at that point in time, raising the issue of that Alessandri formula, that it would work.

Senator CHURCH. You mean effective in influencing the congressional vote?

Mr. GUILFOYLE. This is what a third party suggested to Mr. Gerrity?

Senator CHURCH. Yes.

That was the objective?

Mr. GUILFOYLE. And he reported it to me that a third party had suggested the possibility.

Senator CHURCH. I understand that.

When you said that these actions might be "effective," I wanted to understand in what context you meant "effective." What you meant was that they might be effective in influencing the congressional vote.

Mr. GUILFOYLE. This was a recommendation from a third party.

Senator CHURCH. Yes. But to answer my question, that was what effective meant, was it not?

Mr. GUILFOYLE. I thought I answered it, Senator.

Senator CHURCH. No; I don't think you have.

Mr. GUILFOYLE. Would you mind repeating the question?

Senator CHURCH. Yes.

When you say "effective" in this context, you mean that it might be effective in connection with influencing the congressional vote. That is what the Alessandri formula was all about.

Mr. GUILFOYLE. We were advised that it might be effective.

Senator CHURCH. Yes.

Mr. GUILFOYLE. Yes.

Mr. BLUM. Was there any indication whatsoever from Mr. Gerrity as to the nature of the person who had visited him, as opposed to specific identity?

Mr. GUILFOYLE. No, there was not.

#### NO KNOWLEDGE OF MONEY OFFER

Mr. BLUM. Earlier in the month, had Mr. Gerrity told you that the company was making an offer or planned to make an offer of up to seven figures?

Mr. GUILFOYLE. No.

Mr. BLUM. To support a Government program.

If you were the chief line officer for the companies in South America, wouldn't you have been the appropriate official to inform?

Mr. GUILFOYLE. Mr. Gerrity's function as staff was either to come up with ideas, or, if he was approached by third parties, to repeat those ideas. He reports to the office of the president. He discusses it with the office of the president, not with me. That is his chain of command.

#### RESPONSE OF OTHER COMPANIES APPROACHED

Mr. BLUM. Now reading further in the cable, what companies did you call?

Mr. GUILFOYLE. Anaconda and IBM.

Mr. BLUM. What kind of response did you get?

Mr. GUILFOYLE. I believe, as the cable says, they said they had been given advice which is directly contrary to suggestions I received.

Mr. LEVINSON. Who were the individuals that you spoke to in these companies?

Mr. GUILFOYLE. Mr. Quigley in Anaconda and Mr. Cortez of IBM.

Mr. BLUM. Were they familiar with the Alessandri formula?

Mr. GUILFOYLE. I am sure they were; yes, sir.

Mr. BLUM. Did they indicate that they were aware of a plan to create economic chaos?

Mr. GUILFOYLE. No; they did not.



## MARCH 10, 1971, MEETING WITH ALLENDE

Mr. BLUM. Mr. Guilfoyle, do you recall attending a meeting with President Allende on March 10, 1971, in Santiago?

Mr. GUILFOYLE. Yes, sir.

Mr. BLUM. Would you mind turning to a memo dated March 12, 1971, from Hal Hendrix to Mr. Perkins. The subject is a meeting with President Allende on March 10, 1971, in Santiago.

It indicates that you, Mr. Guilfoyle, were present.

Mr. GUILFOYLE. That is correct.

Mr. BLUM. Are you familiar with the memorandum?

Mr. GUILFOYLE. Yes, sir.

Mr. BLUM. Is it a fair description of the conversation that occurred between you and President Allende.

Mr. GUILFOYLE. May I have just a moment, sir.

Mr. BLUM. Certainly, certainly.

Mr. GUILFOYLE. In general, yes.

Mr. BLUM. And the meeting, then, was a cordial meeting. You describe it as that in the memorandum.

Mr. GUILFOYLE. Yes.

Mr. BLUM. In the memorandum there is an indication that Mr. Dunleavy said ITT was trying to avoid going to OPIC.

Mr. SCHAFER. It is a long memo, Mr. Blum. Where are you reading from?

Mr. BLUM. Point 7.

Dunleavy stressed that ITT has worked hard to avoid going to OPIC, even though the present financial condition of Chiltelco warrants it. Allende seemed properly impressed that we were not trying to use OPIC as a whip to force him to act, saying he desired to resolve the problems with us alone.

Mr. GUILFOYLE. Right, what is your question, sir.

Mr. BLUM. Is that a fair description of what was said then?

Mr. GUILFOYLE. Yes, it should be elaborated, though, to what was described to Mr. Allende, if I may.

Mr. BLUM. Please.

Mr. GUILFOYLE. What Mr. Dunleavy was pointing out was that we had filed for a rate increase which is authorized under the concession contract, we had failed to receive it, and in January of 1971 we had a 40 to 45 percent wage increase, our taxes were raised by over 130 percent, the fringes went up some 60 percent, as I recall the numbers, yet the price that we were delivering our product was not increased, and we were in a very, very severe cash bind.

We were in a position where we literally were at the brink of losing management control of the company.

Now, under the OPIC—

Senator CHURCH. If, with that condition you describe, with a very substantial increase in wages, doubling of taxes and very substantial increases in operating costs, the Government had continued to refuse a rate adjustment, the effect would have been to force the company into bankruptcy, wouldn't it?

Mr. GUILFOYLE. Yes—what we call creeping expropriation, Mr. Senator.

Senator CHURCH. It is an indirect method to force a company under.

Mr. GUILFOYLE. Of expropriating a company, that is correct.

Senator CHURCH. Yes. Then when it goes bankrupt—

Mr. GUILFOYLE. You grasp our position very well.  
 Senator CHURCH [continuing]. It can be picked up cheaply or readily.

Mr. GUILFOYLE. Yes.

#### RECOURSE TO OPIC IF NEGOTIATIONS FAIL

Mr. BLUM. Now turning to that same March 12, 1971, memo, Dunleavy added that the day Allende "grabs the company, we go right to AID." He said ITT has worked hard to avoid this action.

Mr. GUILFOYLE. These are not Mr. Dunleavy's words in the meeting but the gist of the comment is there.

Mr. BLUM. In other words, you were suggesting that if the situation continued to be bad you would go collect your insurance and that Chile would then negotiate with the U.S. Government. Is that correct?

Mr. GUILFOYLE. No, Mr. Blum.

The thrust of the comment of Mr. Dunleavy at that time was that we did have OPIC insurance coverage, which he defined as AID here, and that if in the event the company was expropriated or seized it no longer would be a negotiation between ITT, a private company, and the Government of Chile. It will become a negotiation between OPIC, an agency of the U.S. Government, and the Government of Chile because at this—may I complete, it is an important point here.

Senator CHURCH. Yes, surely.

Mr. GUILFOYLE. Because the OPIC coverage would give OPIC the majority ownership of the telephone company at the time it would be seized.

#### OPIC CREATES BOND OF INTEREST BETWEEN U.S. GOVERNMENT AND COMPANY

Senator CHURCH. That is what I wanted to get into. If OPIC paid the money then under the contract was OPIC subrogated to your claim against the Chilean Government or whatever rights you have?

Mr. GUILFOYLE. We have a joint claim, yes, sir, I think the lawyers can best answer that. I am not a lawyer. As I recall it, the Government of Chile would continue to own 24 percent, the public 6, we would have 32, something like that, OPIC the balance, which would be the larger share.

Senator CHURCH. So one of the very clear effects of the OPIC insurance is that if a foreign government moves against the property of an American-owned company that is insured by OPIC, this blends the company interests and the American Government's interests. That is to say, the American Government, having assumed an insurance contract, having assumed a contractual obligation to pay the company for the expropriated property, has a financial stake by virtue of the insurance policy.

Mr. GUILFOYLE. What it does, in my opinion—

Senator CHURCH. Doesn't it?

Mr. GUILFOYLE. No; I think it is slightly different than that, if I may.

What it does is that it says that the Government of the United States and the company join together in that there was a government-

to-government agreement at the time that the concept of overseas insurance was devised under the earlier aid programs, that the purpose was for us to risk capital in developing areas and for which, in turn, we paid a handsome premium, I think it was reported to you the premium to date is over \$6 million.

Senator CHURCH. I am not quarreling with you about the reasons OPIC was first established, or the fact that you did not pay a premium. I am just trying to see what the effect of this is when a property is jeopardized. It seems to me clear that the effect is that of the Government has a kind of identity of interest with the private company because of the possible obligation on the part of the Government to pay for an expropriated property.

The result of OPIC is to create a financial stake on the part of the Government of the United States in the private property, clearly.

Mr. GUILFOYLE. Or to us their best offices to develop an amicable agreement.

Senator CHURCH. Of course.

Mr. GUILFOYLE. Or a payout agreement which OPIC has been successful on several occasions.

Senator CHURCH. Of course.

But that does not gainsay the fact that the Government has a very definite financial stake in the outcome by virtue of OPIC and, therefore, can be easily drawn into the negotiation.

It seems to me obvious that one of the consequences of the OPIC program is to create this linkage between the U.S. Government and American privately owned property overseas.

Mr. GUILFOYLE. Only when there is an illegal act.

Senator CHURCH. Of course, only when the insurance comes into effect.

Mr. GUILFOYLE. Right.

Senator CHURCH. If there is going to be expropriation there is going to be no payoff, but if there is going to be expropriations, OPIC causes the Federal Government to have an automatic interest, a financial stake and, therefore, the Federal Government can be drawn into the negotiations.

Mr. GUILFOYLE. Only at the time that that country would violate the treaty that it signed with the United States.

Senator CHURCH. That is what the insurance is all about.

Mr. GUILFOYLE. Right.

But I think violation of the treaty transcends the problems of whether it is OPIC insurance or not.

Senator CHURCH. If there were no OPIC insurance, there would be no basis upon which ITT could lay claim against the Government for nearly \$100 million, regardless of what violations of treaty might have occurred.

It is the existence of the OPIC insurance that forms the basis for ITT's claim against the Government for about \$100 million.

Mr. GUILFOYLE. Senator Church, I guess the question—

Senator CHURCH. And that is the financial stake I am talking about.

Mr. GUILFOYLE. I guess the question is if there was not some form of aid, some form of OPIC insurance, would many U.S. companies have risked a large amount of capital that they had?

## USEFULNESS OF OPIC TO BE INVESTIGATED

Senator CHURCH. That is precisely the question we want to get to, and we want to have a hard factual answer to that question.

I think it is going to be very interesting when we get to the bottom of this.

Mr. GUILFOYLE. I think, as I have read, the bill was passed by the Congress of the United States with the object to influence us to invest in developing countries.

Senator CHURCH. That is correct. And one of the questions we want to answer in the course of hearings that this subcommittee will be conducting, is whether that program has, in fact, proved an incentive to investments?

Mr. GUILFOYLE. I would hope then we could get some objective discussion.

Senator CHURCH. Yes; we will have objective discussion about that question, and I think the evidence may be surprising.

The second aspect of OPIC that we want to examine is whether it is desirable and in the public interest to give an incentive to our companies to invest outside the United States instead of in the United States. Third, we want to examine that aspect of OPIC which tends to mathematically create a financial interest on the part of the Government of the United States in privately owned American properties abroad and the consequences that that has upon American foreign policy.

All these are very legitimate questions that need much more thorough probing than they have received up to now.

Mr. GUILFOYLE. I agree, because we have not discussed them up until now.

Senator CHURCH. Agreed, but that is one of the subjects we are going to get into in the course of hearings over the next 3 years.

Mr. GUILFOYLE. I believe this afternoon is the first time this issue has been raised.

Senator CHURCH. It is the first time I have had a chance to raise it but I just want to say this is one of the very big subjects we are going to be looking into very thoroughly.

Mr. GUILFOYLE. I would hope then we can have witnesses who can speak knowledgeably about it.

Senator CHURCH. I think we have had witnesses today that can speak knowledgeably about what we are inquiring into at the moment and we are going to follow the same pattern in subsequent hearings.

Senator PERCY. Mr. Guilfoyle, I wonder if this might be an appropriate time for you to talk about your own company. Let's take one of the hottest subjects we have today, one of the most pressing problems, our balance-of-payments problem.

What has been the experience of ITT in Chile with respect to balance of payments? Has it cost our Government or do we gain as a result of this investment that you have there.

Do you know what the actual figures are of the flow back and forth?

Mr. GUILFOYLE. There is a positive flow for two main reasons: No. 1, we have developed the financing to come from third countries, European countries basically. We have developed a manufacturing oper-

ation on a value-added concept, to get the labor value, we have taken the cash flow of the company along with Chilean Government for reinvestment; we have then returned only 30 percent of the net income each year, and our position has been to guarantee financing rather than to export funds there.

Senator PERCY. Well, specifically, what does all that mean with respect to 1972, 1971, 1970 so far as balance-of-payments surplus or deficit as a result of ITT's operations in Chile?

Mr. GUILFOYLE. I do not have those figures with me at this point in time.

Mr. GUILFOYLE. But let me say in 1970, 1971, and 1972 we were unable to repatriate, 1973 also, any funds from Chile because of the central bank action there, they have not—

Senator PERCY. They prevented it?

Mr. GUILFOYLE. Prevented it.

Senator PERCY. But under normal corporate procedures?

Mr. GUILFOYLE. Preferable we were in a positive position, yes, sir.

Senator PERCY. And you would have continued in a positive position?

Mr. GUILFOYLE. Very definitely, sir.

Senator PERCY. Prior to the action of the central bank in Chile, do you know offhand whether or not you had a positive balance-of-payments surplus?

Mr. GUILFOYLE. Yes, sir, we would have had a positive balance of payments.

Senator PERCY. Mr. Chairman, I would be interested in having the record left open so that the company can provide such figures for insertion as they feel would be helpful to the committee at this particular point. We will be getting figures from many other corporations later as a composite, but I think it would be very valuable to have ITT's figures here.

[The information referred to follows:]

ITT INCOME FROM FOREIGN INVESTMENTS AND POSITIVE TRADE BALANCE 1968-1972

[In millions of dollars]

	Positive trade balance	Income	Total
1972.....	159.0	171.6	310.6
1971.....	98.5	116.5	215.0
1970.....	107.5	102.9	210.4
1969.....	83.7	98.7	182.4
1968.....	72.0	84.0	156.0
Total.....	500.7	573.7	1,074.4

Mr. GUILFOYLE. Thank you.

OPIC INSURANCE FEES

Senator PERCY. Could you at this time tell us roughly what insurance fees you have paid for your Chilean property, as against the \$92.5 million claim that has now been made? Do you have figures for your total insurance fees worldwide as against this claim? Have you made any other claims, and have you collected on any other claims?

Mr. GUILFOYLE. We have made no other claims, and we have not, therefore, collected any other claims.

Approximately \$10 million has been paid for worldwide OPIC insurance coverage, and Chile specifically, I can give you the more accurate figures, we have paid to OPIC just over \$6 million of which \$5,800,000 was for the telephone company insurance coverage.

Senator PERCY. I see. Would this be one of the largest claims or is it the largest claim made against OPIC?

Mr. GUILFOYLE. I believe the Anaconda claim is larger and as I read in the newspaper, it is in dispute but it is considerably larger.

Senator PERCY. Thank you.

#### FINANCIAL HISTORY OF CHILTELCO

Senator CASE. Mr. Chairman, I wonder if Mr. Guilfoyle can give me a financial history of ITT's interest in the Chilean telephone company. How long has ITT held it?

Mr. GUILFOYLE. Since 1930, sir.

Senator CASE. 1930.

How did it acquire it?

Mr. GUILFOYLE. It was acquired—it was owned originally by a British entity and was acquired by Colonel Behn—in 1927, Colonel Behn acquired the company, and in 1930 the new concession that I discussed earlier was signed with the Chilean Government.

Senator CASE. And ITT then bought the stock of the Chilean company?

Mr. GUILFOYLE. Yes, sir.

Senator CASE. From this British interest?

Mr. GUILFOYLE. Yes, sir.

Senator CASE. And that is its basic interest, about 70 percent?

Mr. GUILFOYLE. No; we had more than 90 percent at one time. As I mentioned earlier, Senator—

Senator CASE. I was not here.

#### CORFO GETS LARGER SHARE

Mr. GUILFOYLE. In the convenio of 1967 we agreed to just about double the size of the telephone company with the Government of Chile in a formalized decree. In that agreement we arranged for government-to-government financing between European countries, France and Spain, the largest ones, to the Government of Chile. This was for the supply of switching equipment, supply of engineering.

In turn for that the government-to-government financing was paid for by Corfo on extended terms, that is a government-owned entity. The payments then were paid by Chitelco in stock to Corfo, so that during the period of 1968 through 1971 Corfo acquired in behalf of the Government of Chile 24 percent ownership in the company, we had 69.7, 70 percent in round numbers.

Senator CASE. They bought that from ITT?

Mr. GUILFOYLE. Yes, sir.

Senator CASE. When you acquired the original interest what did you pay for it?

Mr. GUILFOYLE. I do not know, sir.

We will have that, we have a white paper—

BEST COPY AVAILABLE

Senator CASE. Could you furnish that for the record?

Mr. GUILFOYLE. Yes, sir, I would.

Senator CASE. I don't mean to make it too detailed, but could you provide the history of the actual expenditures made by ITT over the years, and then a statement of how that was affected by the sale to Corfo?

Mr. GUILFOYLE. Yes, sir.

Senator CASE. And any other sales that you may have had. Do you have a book figure for the stock which it sells on the company's books?

Mr. GUILFOYLE. I do not at this point in time, Senator. Rather than being inaccurate, we have a paper on this that I think will answer your question. And I might make a point, if I could.

Corfo's participation, as well as ours, was for an expansion which is an additional infusion of capital for this doubling of the company.

Senator CASE. Well, whatever the story is on your capital investment.

Mr. GUILFOYLE. Yes, we have some detailed information and we would be happy to distribute it.

[The information referred to follows:]

*Certain Data Respecting ITT's Investment in Chiltelco*

[Dollars in thousands]

Total price paid 1980.....	\$7, 800
Total reinvested earnings—October 1, 1960 through September 30, 1971....	70, 503
Total debt from ITT Sud America October 1, 1960 through September 30, 1971 .....	32, 210
Dividends remitted from Chiltelco.....	12, 666
Interest received from Chiltelco.....	17, 058
Chilean income taxes paid—January 1, 1960 through September 30, 1971....	17, 283
Chilean withholding taxes on remittances—January 1, 1966 through September 30, 1971:	
Dividends .....	3, 806
Interest .....	1, 557
Total .....	5, 363

One other thing that I think may interest you, Senator Case, in the question you asked earlier, during the period from 1980 when we signed the concession contract, two agreements were arrived at which I think are quite significant, with the Government of Chile. One was that they would have three directors on the board of directors, and the second was that, each year, we would present annually our balance sheet and our audited reports for the Government of Chile to approve, and these were formally approved year in and year out.

There were two occasions when they were not approved and reviewed by the Supreme Court of Chile and then approved, so we are talking about a regulated, controlled company where the government knew step by step, day by day, what undertakings, activities we were undertaking. Every expenditure over \$25,000 was approved by the government directly. That is the environment of it.

Senator CASE. You are speaking now of the balance sheet, and expenditures, and what not.

Mr. GUILFOYLE. Yes, sir, purchases.

Senator CASE. Purchases of the Chilean Telephone Co., not of ITT and its investments?

Mr. GUILFOYLE. Only the Chilean Telephone Co., but I was just trying to describe the regulations we lie under.

## PROPORTION OF CHILEAN EMPLOYEES

Senator PERCY. Would you care to put on the record the total employment of the company and what proportion of that is Chilean?

Mr. GUILFOYLE. There were just under 6,000 employees, I believe it was 5,940 or 5,950 employees. They were all Chilean. There may have been one or two non-Chileans but they would have been Latin Americans.

Senator PERCY. The management was Chilean?

Mr. GUILFOYLE. The General Manager was Chilean; management of the company was Chilean, all members of the board of directors were Chilean.

Senator PERCY. All members of the board of directors?

Mr. GUILFOYLE. Yes, sir.

Senator PERCY. I think it is important to put that in the record.

Mr. GUILFOYLE. No Americans.

Senator CHURCH. Was this company a wholly owned subsidiary of ITT?

Senator PERCY. Seventy percent.

Mr. GUILFOYLE. Seventy percent.

Senator CHURCH. Seventy percent.

## BALANCE SHEET SCRUTINY

Senator CASE. The balance sheet and its financial operations were apparently open to Chilean Government scrutiny.

Mr. GUILFOYLE. Yes, sir.

Senator CASE. Does that include such expenditures as purchase of advertisements in El Mercurio, for instance.

Mr. GUILFOYLE. They reviewed the budget annually, sir.

Senator CASE. Were items of this sort expressed in terms so it was clear?

Mr. GUILFOYLE. It was a line item.

Senator CASE. So it was clear what was done?

Mr. GUILFOYLE. This was a line in the budget which covered advertising, public relations, and I might point out this was, about \$60,000 is, the budget for 1971, it was less the prior year, covering all aspects of government, community relations, soccer, social club, so forth.

Senator CASE. If there had been substantial investment, or substantial payment for that newspaper, it would have shown up?

Mr. GUILFOYLE. That is what has amused me about that question, sir.

Senator CASE. Well, there is no question about the proposal having been made.

Mr. GUILFOYLE. No; I don't dispute that.

Senator CASE. But you think the guy who suggested it was not talking realistically?

Mr. GUILFOYLE. I would have had to approve the budget increase, and I did not.

## POST-1930 ITT INVESTMENT IN CHILE

Senator CASE. OPIC insurance is based on new investments.

Mr. GUILFOYLE. Yes, sir.

Senator CASE. How do you fit that in with a company that was bought back in 1930?



Mr. GUILFOYLE. That is why we have an exposure of the difference between \$92 million and \$153 million, sir.

Senator CASE. Now the small figure, that is \$92 million, for which the claim was made, I take it——

Mr. GUILFOYLE. Yes, sir.

Senator CASE. Represents what you regard as subsequent investment.

Mr. GUILFOYLE. Yes, sir.

Senator CASE. And that, in substantial part, is plowing back earnings, isn't it, of the telephone company.

Mr. GUILFOYLE. Basically, yes.

Senator CASE. That is really what it is.

Mr. GUILFOYLE. Or some addition, we made a substantial loan to that company, you will see on the records, there is an ITT Sud America loan outstanding of \$32 million.

Senator CASE. That is new money.

Mr. GUILFOYLE. That is new money, yes, sir.

Senator CASE. It came from——

Mr. GUILFOYLE. All of the reinvestments is new money under the terms of the original AID or OPIC program.

Senator CASE. Yes. But in addition, roughly, I think you said about a quarter of the earnings were brought into this country as dividends.

Mr. GUILFOYLE. Thirty percent before taxes, which was tax——

Senator CASE. And the balance was then——

Mr. GUILFOYLE [continuing]. Reinvested.

Senator CASE. Reinvested.

Mr. GUILFOYLE. That is correct.

#### TAXES ON CHILTELCO EARNINGS

Senator CASE. Did they charge you income tax on that balance?

Mr. GUILFOYLE. Yes, sir.

Senator CASE. You did?

Mr. GUILFOYLE. We paid a remittance tax.

Senator CASE. Here?

Mr. GUILFOYLE. No.

Senator CASE. You mean to Chile?

Mr. GUILFOYLE. No, we paid a remittance tax to Chile and it was consolidated here and taxes paid accordingly.

Senator CASE. Remittance tax is a form of income tax?

Mr. GUILFOYLE. Yes, sir.

Senator CASE. On the money reinvested and not brought back?

Mr. GUILFOYLE. It is a tax on dividends paid out of country. It is a rather standard tax paid all over Latin America.

Senator CASE. Let me make that clear; was that tax paid on the earnings of the company that were not brought out?

Mr. GUILFOYLE. We first paid an income tax on the total earnings of the company; then whatever dividends were remitted we paid an additional tax.

Senator CASE. All right.

So the money that was left there as reinvestment in effect——

Mr. GUILFOYLE. Had only one tax.

Senator CASE. Only had the first tax.

Mr. GUILFOYLE. That is correct.

Senator CASE. And the figure on those taxes and the investment made in that fashion will be a part of the information you furnish. [See Appendix I, p. 538.]

Mr. GUILFOYLE. Yes, sir, we will see that you get it.

Senator CASE. Thank you.

#### ITT BALANCE OF PAYMENTS

Senator PERCY. The Chair has indicated that we will be looking very closely at OPIC and the controversy that is sometimes over what the Government does. Here we have a corporation making investments abroad, where we have had regulation since 1962 discouraging investments abroad. Do you happen to know, overall, whether ITT has a corporate deficit or is in a positive position with respect to balance-of-payments world-wide, corporate-wide?

Mr. GUILFOYLE. Substantially positive.

Senator PERCY. Despite the fact you have some properties, the funds from which are prevented by the action of local governments from being brought back here, that positive position has been maintained?

Mr. GUILFOYLE. Yes, sir.

Senator PERCY. Through the years, has there been any year in which there has been a deficit?

Mr. GUILFOYLE. None to my knowledge, and I believe Mr. Geneen will comment on that in his statement.

Senator PERCY. Either he could testify concerning this, or the record could be kept open so that those figures could be inserted and could be studied. I would be interested in the exact figures.

#### EFFECT ON DOMESTIC EMPLOYMENT OF INVESTMENT ABROAD

There has been a great deal of discussion about unemployment in this country and whether as companies go abroad they are exporting jobs.

Do you happen to know whether, as ITT has expanded abroad, it has reduced its domestic employment as a result? Or, has domestic employment stayed stable or actually increased commensurate with ITT's investments abroad?

Mr. GUILFOYLE. It has substantially increased its employment in the United States.

Senator PERCY. And that is not taking into account just acquisitions?

Mr. GUILFOYLE. No, sir.

Senator PERCY. But that is real solid growth here?

Mr. GUILFOYLE. Real solid growth.

Senator PERCY. Is it your general feeling that investment abroad enables you to expand domestically and grow overall? Is that true?

Mr. GUILFOYLE. That is true. Senator Percy, probably the most modern electronic communications equipment being sold today in this country was developed in our European houses, imported here, the technology, the know-how, brought into the United States and is now being manufactured, produced, and sold in substantial quantities in the United States. It is one small example but we have done that with many of our product lines.

## CHILEAN EMBASSY REFUTES ITT STATEMENTS

Senator PERCY. Have you seen the press release put out by the Embassy of Chile today condemning certain statements made by your predecessors on the witness stand? [Text of press release on page 228.]

Mr. GUILFOYLE. Yes, sir, I have just had the opportunity when we came in.

Senator PERCY. I have just glanced at it also, but I would like to give you the opportunity to comment on it. They say in their first point that ITT has stated that it was compelled to take certain actions due to the so-called threats of expropriation without compensation. The press release states that Dr. Allende has never, as a candidate or as a president, stated that he would expropriate or confiscate ITT holdings in Chile without compensation.

Would you comment on that point?

Senator MUSKIE. Would the Senator yield at that point?

Senator PERCY. Yes; I would be glad to yield.

Senator MUSKIE. We will recess momentarily and Senator Church will be back and resume before we return.

Senator PERCY. All right, fine, I would like to resume my questioning on that in order to give you an opportunity to study this a little more carefully.

[Short recess.]

Senator CHURCH. The hearing will please come back to order.

In the interest of time, Mr. Guilfoyle, we are going to continue with the staff questioning and when Senator Percy returns we can return to his questioning.

Mr. GUILFOYLE. Thank you, sir.

## NO U.S.-CHILE INVESTMENT GUARANTEE TREATY

Mr. LEVINSON. Just in terms of clarifying a couple of points that arose during your testimony, you referred to an investment guarantee treaty between Chile and the United States, and Chile in some way was violating that.

Mr. GUILFOYLE. There is no investment guarantee treaty between Chile and the United States. The proposed agreement by President Frei—I don't know whether he signed it, but he did not submit it to the Chilean Legislature—was never ratified by the Chilean Legislature. Apparently President Frei felt at that time—I believe it was 1965—it would not pass.

So I think that the record should be clear that at least with respect to Chile, the United States and Chile do not have an investment guarantee agreement between them.

Mr. GUILFOYLE. I may have been misled then. I know Argentina and the United States do not. I thought Chile had been signed.

Mr. LEVINSON. I think it is accurate to state that there is no such investment guarantee agreement between the United States and Chile.

Mr. GUILFOYLE. All right.

## LOAN FROM SUD AMERICA

Mr. LEVINSON. The second point is that in discussion with Senator Case it was not very clear, when you mentioned a loan to ITT from

Sud America. That is not covered by the investment guarantee agreement, is it? That is a loan that is supposed to be repaid. It is not an equity investment, is it?

Mr. GUILFOYLE. That loan is covered by the OPIC.

Mr. LEVINSON. That loan is covered by them?

Mr. GUILFOYLE. Yes, sir.

Mr. LEVINSON. In the case of Chilean properties, the OPIC investment guarantee covers reinvested earnings.

Mr. GUILFOYLE. Yes, both.

Mr. LEVINSON. Right, it is primarily invested earnings?

Mr. GUILFOYLE. Well, you would have to go back to the equity, the finance portion of it which is the Sud America loan and break it down, what is covered and what is not covered.

There are different percentages.

Mr. LEVINSON. Of course, it is either a loan—

Mr. GUILFOYLE. Or equity reinvestment or reinvestment.

Mr. LEVINSON. And do you have an idea what the relative proportion of new equity estimate flowing into Chile that is covered as opposed to Chiltelco's reinvested earnings or loans from South America Sud. What is the relative amount of the three items?

Mr. GUILFOYLE. I prefer not to guess, I will get you that information. [See p. 221.]

#### RATE OF REINVESTMENT

Mr. LEVINSON. Before you got your investment guarantee insurance under the old AID program you had the company since 1930 and, as you testified to Senator Church, you were continually reinvesting. Isn't that the case?

Mr. GUILFOYLE. Yes, there was a varying investment, there was no legal commitment between the telephone company and the Government on the amount of commitment, until the convenio in 1967, so there were periods of reinvestment, and there were periods when it varied.

Mr. LEVINSON. Right. But over time, the company had been reinvesting even though in varying periods.

Mr. GUILFOYLE. Yes, in general, it would depend upon the rate, the rates that we were allowed to charge for the service provided and the return that we got at the bottom line and then we would, our reinvestments would be proportionate to that level.

Mr. LEVINSON. Right. But the fact is the company was reinvesting before the investment guarantee, before you had the guarantee insurance.

Mr. GUILFOYLE. Yes.

Mr. LEVINSON. Yes. OK.

#### ALLENDE PROGRAM TO EXTEND PUBLIC UTILITIES

With respect to the rate questions, the Allende government came in and his constituency was essentially the lower income groups. In a number of his campaign statements to which you referred with reference to Chiltelco as well as other companies, of public utilities type companies, water, electric power, the essential thrust of the Allende program was extension of these services into low-income areas which

could not carry the charges which would be necessary to make the service economic. Wasn't that the essential thrust, and his critique of the telephone company, as well as the power company, and water companies—that these companies were not extending their services into Callamps, the mushroom slums, and that his government in contrast was going to do that.

Mr. GUILFOYLE. I would say, during the Frei administration there was a program which was carried out to put telephone service into the areas you describe, the lowest income areas.

We ran here what we would call pay phones in the United States, at a very low rate. It was the lowest possible denomination of the rate, and we placed hundreds of these throughout these areas to provide telephone service for these people.

Mr. LEVINSON. Right. But the essential thrust of the Allende program was that whatever was being provided was not enough for these areas, and they promised that they would extend this faster. The point is that their critique of the performance of Chiltelco was not specifically directed at Chiltelco qua. This was a generalized complaint about the services that were extended by all of these public utilities.

Mr. GUILFOYLE. Your description appears adequate for water and electricity but does not appear adequate for their approach, their platform, on the telephone company.

Mr. LEVINSON. It was not a discrimination against Chiltelco; what you have really was a conflict between the problem of an adequate rate base and a program to extend service into lowest income areas across the board for all kinds of public utilities services. This was not discriminatory on the part of the Allende government as singling out Chiltelco.

#### PROGRAM TO EXPROPRIATE

Mr. GUILFOYLE. Well, Mr. Levinson, they produced a separate document called the basic communications program which singled out Chiltelco. [See Appendix I, p. 523.]

Mr. LEVINSON. They did that with the other public utilities as well.

Mr. GUILFOYLE. The other public utilities were government utilities. They were not speaking against themselves.

Senator CHURCH. Chiltelco was the only one left that was in private hands.

Mr. GUILFOYLE. I believe the other had been in private hands many, many years. There was one other telephone company, very small, in the far southern end of Chile. It was Swedish owned, as I recall.

Senator CHURCH. Chiltelco was the only company of substantial size, was the only telephone company that remained in private hands?

Mr. GUILFOYLE. That is right.

Senator CHURCH. And this program did not deal with expansion into the low income areas. It dealt with taking over the company, that is what their program dealt with?

Senator CHURCH. Senator Percy, you were questioning at the time you had to go to vote, and we just took up some other questions in your absence.

Have you finished?

Senator PERCY. Yes, I would like to continue. Mr. Chairman, I would ask unanimous consent that the full Chilean press release be incor-

porated in the record at this point and I will extract certain sections of it.

Senator CHURCH. Without objection.  
[The information follows:]

#### EMBASSY OF CHILE PRESS RELEASE

In the public hearings of the United States Senate Subcommittee of Foreign Relations that investigates the activities of the International Telephone and Telegraph Corporation (ITT) in Chile, executives of that Corporation that have been testifying, have tried to justify, under false pretenses, the interference of this enterprise in internal Chilean affairs.

On account of this, and for the sake of truth, the Embassy of Chile feels the need to point out the following:

1. ITT executives have stated that they were compelled to take certain actions due to the so-called "threats" of expropriation without compensation of its holdings that the President of Chile, Dr. Salvador Allende would have formulated before and after the presidential elections.

Never has Dr. Allende, neither as a candidate, nor as a President, stated that he would expropriate or confiscate ITT's holdings in Chile without compensation. The program of the Popular Unity clearly stated the purpose of nationalization of the natural resources of the country and her basic systems of telecommunications, in accordance to the legal procedures inherent to a constitutional state.

With reference to the "Compañía de Teléfonos de Chile" (Chitelco), a subsidiary of ITT, the Government of President Allende, as soon as he took office, conveyed to the representatives of ITT its willingness to nationalize Chitelco, through direct negotiations, subject to international appraisal of its holdings, that would allow a mutually satisfactory agreement.

While Chile was holding conversation in good faith with ITT representatives, in Santiago as well as in Washington, the latter conspired to overthrow the freely elected Chilean Government.

Throughout these conversations, the Government of Chile formulated concrete written proposals to compensate ITT, proposals which were dismissed by that Corporation.

Only after the Government of Chile acknowledged the documents published by columnist Jack Anderson, were the conversations cancelled. At that point the Chilean Government introduced a Constitutional Amendment Bill in order to nationalize Chitelco.

Out of respect to the Chilean people, the Government decided on the impossibility of continuing a dialogue with international conspirators.

The Constitutional Amendment Bill is still being processed in the Chilean Congress. Therefore it is clear that the ITT's claim that its holdings in Chile have been appropriated is absolutely false.

In September 1971, under legal dispositions and with evidence that Chitelco's management was resulting in a rotten service, and in conditions that jeopardized the national security, the Government issued a Decree through which the Chilean State took over the control of the management of Chitelco, without ever denying ITT's property rights. Moreover, currently there are in Chile several companies affiliated to ITT operating without State intervention, such as Sheraton Hotels, Standard Electric and others.

All this belies the assessments made by ITT executives before the Subcommittee concerning these matters.

2. ITT representatives have barefacedly hinted that the Government of President Allende did not have at the elections the majority of the public opinion support. It is true that President Allende, in a three political alignment election—distinctively different from each other—did not obtain the absolute majority, an outcome of frequent occurrence in the political history of Chile, when there are three or more candidates seeking the Presidency.

However, in the subsequent congressional election that installed him as President, Dr. Allende obtained more than the 78% of the vote casted by legitimate representatives of the Chilean people, that is, the members of the Chilean Congress.

Thus, ITT's representatives can be assured that their actions in Chile are repudiated virtually by all Chileans.

3. ITT's executives made an attempt to convince the American public opinion that their corporation behaved exemplarily in Chile, making substantial contributions to the development of the country.

Numerous completely objective technical reports show this not to be true. Besides, the Chilean public knows from their own experience the inferior service that for decades CHITELCO has provided, in an overt failure to perform according to the agreement that granted it the concession to operate.

4. The Embassy will make public any information it deems necessary in relation to ITT activities in Chile.

#### CHILEAN PRESS RELEASE CLAIMS COMPENSATION INTENDED

Senator PERCY. The press release of the Embassy of Chile indicates that they intended the expropriation or nationalization to be carried out in accordance with the legal procedures inherent in a constitutional state. Would you care to comment on their statement that they had made it clear that they always intended to do it with compensation?

Mr. GUILFOYLE. Yes, sir.

Senator, regarding the legal procedures inherent in a constitutional state, in the very early sessions with the Commission that was established by President Allende and chaired by Minister of Interior Toha, they made it quite clear they considered the concession contract null and void for purposes of these negotiations. They made it quite clear that the concept of paying book value would not be listened to. They further indicated that they disagreed with the fact that the concession contract had as one of its inherent rights to debate any issues at the Supreme Court level. This was made very clear to us in meetings.

The concept of legal procedures within the constitutional states deals with the treatment that was given to the copper companies which is published law.

Senator PERCY. They further say that, as soon as President Allende took office, he conveyed to the representatives of ITT his willingness to nationalize Chiltelco through direct negotiations subject to international appraisal of its holdings that would allow a mutually satisfactory agreement. Did they convey this to you? And how do you interpret the fairness of what they were proposing?

Mr. GUILFOYLE. The report here is not correct in its chronological aspects. No. 1, we, through our Chilean general manager, Mr. Holmes, arranged a meeting with President Allende which culminated on March 10, 1971, as was described earlier. At that meeting President Allende said, "I have not made a decision. I will take 30 to 40 days and advise you of my actions."

He further said, "I may want to be in a position that we would be partners in this venture."

We pointed out to him that we already were partners, and he did say, "Well, we may wish to maintain a relationship. I will have to study it."

Then, when we did not hear from the Government for over 60 days, we again requested a reply. That reply was given to me on May 26. At that meeting President Allende indicated that they did plan to nationalize us, that he was establishing a commission which would meet under the auspices of the Minister of Interior Toha, who was Minister at that time. In our early meetings, they made us an offer of \$24 million. The value of the telephone company was \$153 million.

#### VALUE OF CHITELCO

Senator PERCY. Would you tell me how you establish that as a value? You are not talking about book value. Is that a true market value?

Mr. GUILFOYLE. That is a book value, sir. Our concession contract requires us to sell at book value. It is a book value that has had 38 years' approval.

Senator PERCY. Did you have an appraised market value of the company, what it would cost you to duplicate it—

Mr. GUILFOYLE. No, but—

Senator PERCY. Did you have this in mind at all?

Mr. GUILFOYLE. Well, let me say, there are two ways to approach it. You could go through the appraisal replacements cost new, which is one concept, which is the normal concept in this case or, alternately, you could take what it is worth in the fair marketplace. At that time, telephone companies were selling at 16 times, in the United States.

Senator PERCY. Priced out at what now?

Mr. GUILFOYLE. That would have priced out \$155 or \$160 million.

Senator PERCY. So, book value is not bad from the standpoint of full market value, and you did not quarrel with that at all.

Mr. GUILFOYLE. No. Our opening to the President in March and to the Commission in May was: "You do have a partner; you have one-quarter, 24 percent. If you wish the three-quarters of the company, it is at book value, and the concession contract states it shall be."

When we reached a stalemate at that point, I personally, in behalf of ITT, introduced the concept of international appraisal. It was not introduced by the Government of Chile. They subsequently, in writing, in about August in a cable to me, accepted my offer of international appraisal but subject to we give them immediate control of the company, that they would take over full management, full responsibilities of the company, price to be determined, terms and conditions to be determined.

Senator PERCY. So you are saying that the Embassy of Chile's press release, copies of which were furnished to the members of this committee, is incorrect in that as soon as President Allende took office, he did not make an offer subject to international appraisal. That was a subsequent suggestion by you.

Mr. GUILFOYLE. Right.

Senator PERCY. And was it accepted by the Government of Chile?

Mr. GUILFOYLE. It was accepted several months after I made it, approximately 3 months after I made it, I am sorry, 2 months after I made it, but with the condition which was unacceptable to us and that was the condition to turn over total management and control of the company to them.

Senator PERCY. Forthwith?

Mr. GUILFOYLE. Forthwith, without knowledge of price to be paid or method of payments. Now, we still attempted to deal with that for several months.

#### ITT DENIES ATTEMPT TO OVERTHROW CHILEAN GOVERNMENT

Senator PERCY. Would you care to comment on this statement:

While Chile was holding conversations in good faith with ITT representatives in Santiago as well as Washington, the latter conspired to overthrow the freely elected Chilean Government.

Mr. GUILFOYLE. Senator Percy, I would like to say at no time did ITT attempt to overthrow the Government of Chile.



Senator PERCY. You are flatly denying the accuracy of that statement?

Mr. GUILFOYLE. I am flatly denying the accuracy of that statement.

#### CHILEAN COMPENSATION OFFER

Senator PERCY. And the press release said further:

Throughout these conversations the Government of Chile formulated concrete written proposals to compensate ITT, proposals which were dismissed by that corporation.

Mr. GUILFOYLE. They did give us two written proposals. One had a value of \$24 million for \$153 million company. The second was in August where they offered international appraisal with the caveat to take over the management I mentioned earlier. Those were the gists of the written documents.

Senator PERCY. And was the latter offer dismissed by the corporation?

Mr. GUILFOYLE. The latter offer was not dismissed. We actually returned to Santiago and had several days of discussions and negotiations both with President Allende, with his Ministers, and Deputy Ministers, attempting to find some alternate solution to the takeover.

Senator PERCY. So you are saying, as a matter of fact, the Embassy in Washington is misinformed on that particular point.

Mr. GUILFOYLE. Yes, sir.

Senator PERCY. You did flatly reject, however, the initial offer?

Mr. GUILFOYLE. Of \$24 million.

Senator PERCY. \$24 million.

Mr. GUILFOYLE. Yes, sir, as a prudent businessman would have.

Senator PERCY. I would have done the same.

Mr. GUILFOYLE. Thank you, sir.

Senator PERCY. I think Geneen would have been impeached if he had accepted it.

Mr. GUILFOYLE. I think I told President Allende there would have been a stockholder's suit if we considered it.

Senator PERCY. Did you look upon this as a bargaining procedure—as a normal feeling you out for price and so forth? You were not surprised to receive a low offer of that kind?

Mr. GUILFOYLE. I would have to answer it this way: at the senior level of the government, it was a bargaining position, and that was clear in our discussions at the ministry level, the level with President Allende. But at the commission level, the appointees not being in the upper echelon of the government, the attitude was, take over without payment, it was clear.

Senator PERCY. This next point in the press release is quite germane to the OPIC agreement.

"Only after the Government of Chile acknowledged the documents published by columnist Jack Anderson were the conversations canceled." Is that accurate, in your judgment?

Mr. GUILFOYLE. Yes, sir, that is accurate.

#### EXPROPRIATION LEGISLATION STILL PENDING

Senator PERCY. And further: "The constitutional amendment bill is still being processed in the Chilean Congress. Therefore, it is clear

that ITT's claim that its holdings in Chile have been expropriated is absolutely false."

Mr. GUILFOYLE. Well, there were two bills in Congress, one of which has passed, the canceling of the concession contract. The bill to nationalize: Congress has adjourned for their summer or until May right now, the winter period. That would deal with compensation, as I understand it. But to say we are not expropriated; I think it is significant to point out they have removed the management, that they have provided us no information on the company; they have unilaterally doubled and tripled wages; they have taken actions to adjust the balance sheets, we understand, they have refused us any type of information that normally is needed.

#### NEGOTIATION CHRONOLOGY

Senator CHURCH. I wonder if I may just get the chronology straight in my own mind, Mr. Guilfoyle.

As you know, most of our inquiry has focused on the period between the popular elections in September of 1970 and the installation of Mr. Allende by the Congress, which took place in October.

Mr. LEVINSON. October 24.

Senator CHURCH. October 24, 1970.

Now, you have testified that as of March 10, 1971, that is about 5 months, less than half a year later, you were still engaged in what you described as cordial negotiations with Allende. Correct?

Mr. GUILFOYLE. We had our initial negotiation.

Senator CHURCH. Yes.

Then, in May, you were still bargaining in good faith about price and so forth.

Mr. GUILFOYLE. I think, Mr. Senator, in March we opened the question of purchase of the company by the Government of Chile.

In May we were advised, then we started what could be called negotiations.

Senator CHURCH. In May?

Mr. GUILFOYLE. Yes.

Senator CHURCH. When did the negotiations break off?

Mr. GUILFOYLE. Shortly after, or the day after the Jack Anderson publications on Chile in 1972.

I had had a meeting a few days later here in Washington with the Chilean Ambassador at the Embassy, and we were pursuing the possibility of appraisal. That meeting was canceled.

Senator CHURCH. Now, the Jack Anderson papers, of course, related back to the period prior to the popular election and the period between the popular election and the vote installing Allende as President taken by the Congress.

The papers related to that early period, and they were published—

Mr. GUILFOYLE. Right.

Senator CHURCH [continuing]. By Anderson.

Mr. GUILFOYLE. Yes.

Senator CHURCH. Then the negotiations broke off between you and the Chilean Government.

Mr. GUILFOYLE. That is right.

Senator CHURCH. Thank you.

Mr. GUILFOYLE. But in the interim, you realize, we were expropriated.

Senator CHURCH. Yes.

Mr. GUILFOYLE. When the Anderson publications took place, which was in March of 1972, the Government of Chile had expropriated the company on September 29, 1971. So there were a series of acts on their part putting our people in jail under false circumstances for which they were acquitted immediately in court.

Senator CHURCH. When do you feel, just to get the chronology now, when do you feel the act of expropriation took place?

Mr. GUILFOYLE. It occurred on May 26, 1971, when the President said, "I wish to nationalize your company," and from that time on made no kind of substantive offer.

#### NEGOTIATIONS CONTINUED AFTER INTERVENTION

Senator CHURCH. Yes, but your negotiations continued after that point in your effort to obtain an agreement on compensation?

Mr. GUILFOYLE. They continued.

Senator CHURCH. Is that right?

Mr. GUILFOYLE. They continued through March, as I said, through a period of terrific harassment, jailing our people, locking our bank accounts.

Senator CHURCH. Yes.

Mr. GUILFOYLE. Locking up our books and records, the activities were very difficult for our people, for our Chilean people, to withstand. These were not Americans down there being harassed; they were Chileans.

Senator PERCY. Did this all occur before the Jack Anderson revelations?

Mr. GUILFOYLE. Yes, sir, 6, 8 months before that.

Senator CASE. It occurred before the September so-called intervention?

Mr. GUILFOYLE. It occurred before and after the so-called intervention, sir. We had continual harassment after that.

Senator CHURCH. And throughout that period you continued the effort to reach a settlement with the Chilean Government?

#### HOPE FOR RENEWED NEGOTIATIONS

Mr. GUILFOYLE. Yes, sir. In fact, we are still—I might point out, I think it would be worthwhile if the subcommittee would know, during 1972 and 1973 we have continued to maintain the factory that is assisting to expand that telephone company.

We have organized for the Government of Chile, financing from Spain to do that, and we have continued to put know-how into that factory.

Senator CHURCH. Do you have any hope at this time that it might still be possible to reach an agreement with the Chilean Government on compensation?

Mr. GUILFOYLE. I think that is a very difficult statement. I think, if it will be done, it will be done jointly between the U.S. Government and ourselves, and as I believe—

Senator PERCY. Are efforts underway in that respect?

Mr. GUILFOYLE. I understand from the newspapers that there will be discussions. I believe it is next week, that they will be taking place here in Washington, on the various expropriated properties. How far it will go, I don't know.

Senator CHURCH. Very well.

#### IMPACT OF ANDERSON PAPERS REVELATIONS

Mr. BLUM. Mr. Guilfoyle, is there any question in your mind that the publication of the Anderson papers finally forced the Chilean Government to break off negotiations?

Mr. GUILFOYLE. I would say; my opinion on that would be—and it is a personal opinion—that they seized on that as an opportunity to retain the property so as not to have to pay. I think they felt continually through this that they had an obligation to live up to agreements signed by prior governments, prior administrations.

#### QUALITY OF CHILTELCO SERVICE

Senator PERCY. They do, as a matter of fact, in this press release reaffirm this fact when they say—and I think we should put it into the record—"In September 1971, under legal dispositions there and with evidence that Chiltelco's management was resulting in a rotten service, and in conditions that jeopardized the national security, the Government issued a decree through which the Chilean state took over the control of the management of Chiltelco without ever denying ITT's property rights. Moreover, concurrently there are in Chile several companies affiliated to ITT operating without state intervention such as Sheraton Hotels, Standard Electric, and others." Would you care to comment on that statement?

Mr. GUILFOYLE. Yes, sir. I would like to very much. Their reference to rotten service deals with the fact that there are 3.7 telephones per hundred people in Chile. It has to be one of the highest in Latin America, but it is extremely low when you compare it to the United States or Canada where we have about 67, I believe, are the latest figures of a year ago, per hundred people, telephones. That has been the thrust many times of the question of service.

#### DETERIORATION OF SERVICE

Now, as far as the operating service, the day-to-day performance of the telephone company, I think that the newspapers in Santiago can best answer the question. La Prensa about 2 months ago issued an editorial that in effect said, "Bring the Yankees back. Service is so bad." It went on to describe a visit of the Minister of the Interior, General Pratt, to the telephone company questioning the deterioration of the day-to-day service. Subsequently, the interventor was removed from his job, and a new one appointed. The interventor is a man who was appointed by the Government to take over the management of the company with total rights to commit funds, to modify, change, hire.

Senator PERCY. You are denying their final statement in the press release, that says:

Resides, the Chilean public knows from their own experience the inferior service that for decades Chiltelco has provided and in an overt failure to perform according to the agreement that granted the concession to operate it.

Mr. GUILFOYLE. Yes, sir, I am denying it from the point of the day-to-day operating service. The service there is better than throughout all of Latin America, or was, I should say.

I cannot speak for what happened since the end of September 1971. There was a complaint, a justifiable complaint, that we did not provide enough telephones for expansion. That is a function of money; and unless we have adequate rates and financing, you cannot expand.

Senator PERCY. Mr. Chairman, I would be very happy to see inserted in the record, if the witness would so wish, any corroborating evidence that the witness would care to have inserted, including statements or reports that have come back to the company regarding actions taken by the Chilean Government against the property and persons of Chileans who were involved in the management or operation of the company.

I think to have a total and complete record and to be fair, that this should be in the record.

Mr. GUILFOYLE. Thank you, we would be pleased to.

Senator PERCY. I have no further questions or comments with respect to the press release other than to note that the Embassy promises to make further information available, day by day, I presume. I am not sure that this is going to contribute to an atmosphere conducive for working out a harmonious solution on the matter. But that is a question between our government and their government, and the Chilean Government and the two parties involved in trying to settle this dispute. But I felt it important that we do give the witness a chance to comment on the charges that have been made in the press release.

#### SO-CALLED THREATS OF EXPROPRIATION

Mr. GUILFOYLE. Senator, if I may, I appreciate your interest and objectivity in it. One area we did not touch on was this question of so-called threats of expropriation. There was published in July 1970 the basic communications program, of the UP, the United Popular Party. It is many pages long but I only want to read comments such as "In the communications field it is very well observed how Yankee imperialism, through ITT, dominates the area's economy, injuring our sovereignty, making exorbitant profits which Convenio General Signals granted them; in addition, assists and contributes to increased stripping of our resources." [For full text, see Appendix I, p. 523.]

Another comment that was made, was that in the convenio we had an obligation to provide for Corfo the stock I mentioned earlier. They point out we had only given them 3 percent and they say it should have been 28 when, in fact, we had provided 24 percent of the stock which was the amount earned through investment. Corfo was delinquent in their investment, they had financial difficulty.

One other point they talked about, we covered our profits by purchasing equipment from other ITT subsidiaries. We did purchase equipment under the convenio from ITT subsidiaries in Europe, but

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it was done by a government representative group from Chile going to Spain and France at which time certified documents were received stating that the price of the equipment being paid was equal to or similar in the whole country. Now all this before duties, and that as it is imported. This was the nature in July 1970 of the UP policy statement.

Senator PERCY. Thank you, Mr. Chairman.

Senator CHURCH. Surely. Any other information that you think might be relevant to this question which you want supplied for the record will be very well.

Senator CASE. Mr. Chairman—

Senator CHURCH. Senator Case.

Senator CASE [continuing]. Since the intervention, the company has needed new equipment, hasn't it? Has that been bought also from the ITT subsidiaries?

#### PURCHASE OF EQUIPMENT FROM ITT SUBSIDIARIES

Mr. GUILFOYLE. Yes, sir, by government-to-government financing. The Government of Chile to the Government of Spain financed the import of equipment and engineering during the year 1972 and continuing now. It was done at their request to ITT to assist them, and we did it jointly, Chilean members and ITT members.

Senator CASE. Do you have any service arrangement of the old-fashioned kind by which advice and technical assistance and so forth is provided?

Mr. GUILFOYLE. There was an agreement with the Telephone Co. but since intervention there has been no activity.

Senator CASE. Was that a large charge or a small item?

Mr. GUILFOYLE. No sir, very small, one quarter of 1 percent.

Senator CASE. Was it gross?

Mr. GUILFOYLE. Yes, sir, of gross revenues.

Senator CASE. And that amounted to what?

Mr. GUILFOYLE. It will be part of the information we will furnish you, sir. I would rather not guess.

[The information referred to follows:]

#### CHILTELCO ADVISORY FEE PAYMENTS TO ITT

The contract between Chiltelco and ITT which expired on September 30, 1968 provided that the fee to be paid by Chiltelco for advisory services would be .5 per cent of net revenues plus 3 per cent of certain plant expenditures. During the period 1961-1971 the fees due ITT aggregated more than \$6 million. Of this amount, only \$3.8 million was remitted to ITT, and after deduction of the Chilean withholding tax of 37.5 per cent, the net cash received by ITT was \$2.4 million.

No remittances for this item were received after 1968 since a subsequently executed contract, although approved by the telephone company's Board of Directors, was not approved by the Chilean government.

Senator CASE. On the question of operations and the matter of installation of new equipment, it was the custom of the Chilean company, was it not, to make a charge before phones were installed for the—

#### CHARGE FOR NEW EQUIPMENT

Mr. GUILFOYLE. We had an installation charge, yes, sir. They did not have what we call subscriber financing which is prevalent in many

developing countries, you paid an installation charge I think that was \$20.

Senator CASE. Which would take care of the value of the equipment.

Mr. GUILFOYLE. No, sir.

Senator CASE. It would not?

Mr. GUILFOYLE. No, sir, the cost of a telephone installed in Chile is around \$800, the cost of a telephone in the United States is well above \$1,000. People don't realize it. The little black phone you pick up costs only \$20, but this is only the beginning of it.

Senator CASE. That figure in both cases represents the allocation of an enormous investment in facilities.

Mr. GUILFOYLE. Plant and property.

Senator CASE. Of all sorts.

Mr. GUILFOYLE. Yes, sir.

Senator CASE. Far away from the station, that is the whole telephone.

Mr. GUILFOYLE. Yes, sir.

Senator CASE. Natural enough. But it is as large as that in Chile.

Mr. GUILFOYLE. Yes, sir.

Senator CASE. It is a very interesting figure. I suppose it isn't divided into so many phones.

Mr. GUILFOYLE. You remember, Chile is 3,000 miles long.

Senator CASE. That is right, and there are that many fewer telephones.

Mr. GUILFOYLE. Well, it is not a function of the number of telephones. It is a function of geography, I mean the fact in Chile we were able, because of a network plan, to keep the costs lower than normal in the Northern Hemisphere. We developed a rather unique network plan that reduced prices.

Senator CASE. I still don't understand how that value or the cost figure you gave for the phone is based. You divide something by the number of telephones.

Mr. GUILFOYLE. By the number of telephones. The land and buildings on it, the value of the building, the cost of the switch equipment that is in the building, the cost of the cable from that building in a distribution system out to the home, it is the cost of a microwave system to go from one point in the country to another. The government owned part of it and we owned some of it, what is that cost, it is the cost of an operating room with hundreds of operators at a switchboard who handle, we handled all the international calls for the government. I mean it is a piece of all of that, sir.

You divide the number of phones into that value at the time of purchase, the number of phones installed in a given period by the amount that it costs.

Senator CASE. Was the revenue per phone satisfactory until the recent troubles?

Mr. GUILFOYLE. Revenue per telephone until the third quarter of 1970 was satisfactory. We did have earlier periods during the early 1960's where we had a very poor revenue situation due to lack of rate increases, but during the period from the Convenio discussions of 1965 through the third quarter of 1970, revenue was satisfactory. That is how we could double the size of the telephone company in a 5-year period.

Senator CASE. I have been asked how much the installation fee was. You said \$16.

Mr. GUILFOYLE. I believe, Senator, the deposit is what they call it, was around \$20, and the deposit in a telephone company, as you know, is in case the people don't pay their bill and leave town.

Senator CASE. Well, we used to have them.

Mr. GUILFOYLE. Pardon?

Senator CASE. We have had them in this country.

Mr. GUILFOYLE. Yes.

You have now in some areas, variables.

Senator CASE. Are there any other charges to new subscribers.

Mr. GUILFOYLE. Not that I recall, sir.

Senator CASE. If there are, you will describe them.

Mr. GUILFOYLE. If there are, I will describe them.

#### PROBLEM OF EXTENSIONS IN RURAL AREAS

Senator CASE. How do you handle the kind of extension of service that is covered in this country partly by private investment but also by Government subsidy to pay the costs of going out to a farm 20 miles from the next line. Is this part of the inadequacy of the service, if that sort of thing is true?

Mr. GUILFOYLE. Yes, sir, it is part of it because there is not a concentration, that would be economically viable to put phones in that area. There were some radio links that allowed you to have drop-offs that you could provide. But I think an important point—we did not ask the determination where service, new service would be placed.

Senator CASE. Even in your happy days.

Mr. GUILFOYLE. In any days. The Government would provide us under the Convenio or the contract, a list and say, You put 5,000 lines in such and such a location, 2,000 here, 1,000, 100, whatever it is, and we put phones down the Punta Arnes area which is almost as far down as you can get down in Latin America, at the request, at the demand of the Government, which was an agreement.

Senator CASE. And the cost of this was in some way adjusted by—

Mr. GUILFOYLE. Yes, sir, but that would be local services, so you had a minimum. That is why I say, the costs per phone for installation was less in Chile than it is in the United States. It was lower than most of Europe. We had heavy concentrations of people.

Senator CASE. Thank you, Mr. Chairman.

#### ISSUE IS PROPRIETY OF ITT POLITICAL CONDUCT

Senator CHURCH. I think I should say at this point—because there has been considerable exchange on the question of the service you provided in Chile and the not surprising decline in service that has taken place since—that there is no one on this committee that I know of that has any brief for nationalized telephone systems nor any brief for condemnation or confiscation without just compensation. That is not the issue before us, as you understand. I just don't want us to get the matter out of focus. What we are striving to find out, has to do with a period leading up to the installation of Allende and the propriety of the conduct of ITT during that period as it related to the internal politics of the country, and, indeed, the propriety of the actions taken by our own government. That is the scope of our in-



quiry, and I don't want any suggestion or any inference here that this committee in any way condones the action of the Chilean Government in connection with the ITT properties that has since transpired. I just think that ought to be made clear.

#### DO NOT CONDONE EXPROPRIATION WITHOUT COMPENSATION

Senator PERCY. Mr. Chairman, may I just say, I think that is a most valuable and important statement by you. I think every member of this committee would want to stand right behind it. By no means do we wish to imply in any way that that kind of action by any government would be condoned, and certainly there have been improper actions taken. I think the witness' testimony this afternoon has been extremely valuable to give us balance in this whole picture, and the chairman's statement is a very important one.

Mr. GUILFOYLE. I appreciate the statement, Mr. Chairman, and you, Senator Percy, because it tends to relieve my mind from one of the questions you raised on the first day, about whether the company is entitled to be paid compensation on its insurance policy. And as I understood our OPIC claim is in issue here. And I think your statement clears the air.

#### LEGALITIES OF OPIC CLAIM TO BE DECIDED ELSEWHERE

Senator CHURCH. I think the legalities concerning OPIC's obligation to the company are matters that cannot be settled in this committee.

Mr. GUILFOYLE. Those are in relation to OPIC and ourselves.

Senator CHURCH. That is right. I did refer to the activity of the company during this period and indeed the activity of our own government as having a bearing upon that question. But we cannot reach a judicial judgment in this committee on that matter.

Senator CASE. Mr. Chairman, before you go ahead, since the rest of the committee has given its testimony, may I testify? [Laughter.]

Senator CHURCH. Sure, your turn.

Senator CASE. Of course, I don't favor confiscation. I do think that anything that is taken has to be adequately paid for in some kind of viable currency. I would not want that to be taken, however, as indicating any belief on my part—and I am sure my colleagues would agree—that a sovereign state does not have the right to take over properties if it pays for them. I think that cannot be denied either.

Senator CHURCH. That is right.

Mr. GUILFOYLE. As the Senator knows, from my own statement, I agree with that comment, too.

Senator CHURCH. Mr. Levinson has, I think, another question.

Mr. LEVINSON. Only in connection with this last point, with respect to this degree to which the OPIC question is involved. The expropriatory act by the government of the project country is specifically defined by the OPIC contract to not include action which occurs or continues in effect as a result of provocation or instigation by the investor or the foreign enterprise, unless such provocation or instigation

is a result of actions taken in compliance with the specific request of the Government of the United States.

The OPIC question, so to speak, essentially revolves around whether or not the Chilean Government discontinued negotiations after the publication of the Anderson papers, and whether the acts revealed in those papers and in the testimony supplementary to the Anderson papers, constituted such a provocative act so as to warrant the Chilean Government in continuing, in effect, the expropriation without compensation. That is the essential OPIC question that lies in the background of this.

Senator CHURCH. That is a question that others will have to decide.

Mr. GUILFOYLE. That is the point, I think we all agree. I think just one comment from Mr. Levinson would be to the effect that let us recall that the Anderson papers were published in March 1972, and that the company was seized in September of 1971, or 6 months before.

Mr. LEVINSON. Yes, of course. But the language, as you know, of the clause not only says "the provocation" but which "occurs or continues in effect."

Mr. GUILFOYLE. I regret I am not a lawyer to debate that with you. Mr. Levinson.

#### EFFECT OF INVESTMENT ON BALANCE OF PAYMENTS

Senator CHURCH. Just one other thing I would like to clear up, because I don't think I was here during the whole time that you testified on the effect of the ITT's investment on our balance of payments.

Mr. GUILFOYLE. I said that it was positive.

Senator CHURCH. It was positive.

Mr. GUILFOYLE. And we would provide the figures. [See p. 219.]

Senator CHURCH. Yes. But by positive, you mean that more money was taken out of Chile in the way of a return to the United States, in the way of repatriated profits, over the period that your figures cover, than was invested from the United States into Chile.

Mr. GUILFOYLE. That is my recollection, yes, sir.

Senator CHURCH. So that a positive balance-of-payments flow for us would mean a negative flow for Chile—from Chile's viewpoint.

Mr. GUILFOYLE. Yes.

Senator CASE. Some of that would be not from Chile.

Senator CHURCH. Wasn't that one of the issues raised by the Leftists in Chile, the effect of the large American companies was to create a drain and, therefore, was against Chile's interests. Wasn't that one of the arguments for nationalization, for example?

Mr. GUILFOYLE. Not in the telephone companies.

Senator CHURCH. I mean generally, especially in relation to the copper, and so on; that was an argument that was very prominent in Chilean politics, was it not?

Mr. GUILFOYLE. I think that was the IPC argument, too.

Senator CHURCH. Yes. Yes, I just wanted to look at both sides of the coin; from the Chilean standpoint, this was an argument against the company; from our standpoint, it is an argument that is favorable to our balance of payments.

Mr. GUILFOYLE. Right. But the Chilean point of view was in the copper company or the national resources area.

Senator CHURCH. More than——

Mr. GUILFOYLE. Well, it had no meaning, because they recognized that a certain amount of imported equipment was necessary. They are not of a size that they can afford to economically—we did a very lengthy study on how to totally integrate the manufacturing and engineering of telephone equipment in Chile and the consensus of that was if you would have one factory for the whole Andean bloc sector industry, it would make it viable.

Senator CHURCH. So they recognized so far as telephone operations were concerned, they had to deal with a foreign company anyway.

Mr. GUILFOYLE. For equipment.

Senator CHURCH. Thank you. If there are no more questions, Mr. Guilfoyle, I believe that completes your testimony this afternoon.

#### SUBCOMMITTEE GOING INTO EXECUTIVE SESSION

I do want to make this announcement, though, because I would like to take the subcommittee into executive session at this time. I want to give some explanation, because every time there is an executive meeting up here on the Hill these days, it is necessary to give an extended explanation.

We have the question before the subcommittee of whether or not we shall hear or can hear from Mr. Vaky, Mr. Peterson, Mr. Rogers, and Mr. Broe in public session, and we want, among other things, to decide what further action the subcommittee should take with regard to these particular witnesses, which I feel, at least, are necessary to complete the picture.

Second, we want to consider what proper disposition the committee should make of papers and documents that have been supplied by the ITT at our request, and that needs to be taken up and discussed by the subcommittee in executive session.

For that reason, we won't call any further witnesses this afternoon. The hearings are adjourned, and they will commence at 10 o'clock next Tuesday morning.

[Whereupon, at 4:20 p.m., the subcommittee was recessed, to reconvene at 10 a.m. Tuesday, March 27, 1973.]

[EXECUTIVE SESSION]

## THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

TUESDAY, MARCH 27, 1973

UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 4219, Dirksen Office Building, in Executive Session, Senator Frank Church (chairman), presiding.

Present: Senators Church, Fulbright, Symington, Aiken, Case, and Percy.

Also present: Mr. Levinson and Mr. Blum of the subcommittee staff.

Senator CHURCH. The hearing will please come to order.

I should say at the outset for the benefit of the members of the subcommittee that I received yesterday a call from Mr. Schlesinger, the Director of the CIA, in which he explained that he would make Mr. Broe available this morning for purposes of questioning in executive session. Mr. Schlesinger understands that the committee may choose to make the transcript public, but he asked that Mr. Broe be examined in executive session in order to avoid the unprecedented case of public testimony of the part of a CIA agent.

I want to say that I appreciate the decision of the CIA in this matter. It happens to be an unprecedented case, and the record would be most incomplete if we were left with only the version of events as testified to by ITT officials. So the staff has prepared a series of written interrogatories which I would like to put to Mr. Broe.

Mr. HOUSTON. Mr. Chairman, the Director asked me to express his appreciation for your agreement and we feel now that we have talked with Mr. Levinson, and in view of our conversations with Mr. Levinson we do not expect to have any particular difficulty in clearing the transcript for the public record.

Senator CHURCH. Good. Well, with that understanding then, I would like to proceed to the interrogatories. Mr. Broe, if you would stand and be sworn. Do you swear the testimony you are about to give in the proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BROE. I do.

Senator CHURCH. Please be seated.

**TESTIMONY OF WILLIAM V. BROE, CIA; ACCOMPANIED BY  
LAWRENCE R. HOUSTON, GENERAL COUNSEL, AND JOHN MAURY,  
LEGISLATIVE COUNSEL**

Senator CHURCH. Mr. Broe, are you now employed by the Central Intelligence Agency?

Mr. BROE. Yes, sir.

Senator CHURCH. In 1970 were you employed by the CIA?

Mr. BROE. Yes, sir.

Senator CHURCH. Were you employed in the Clandestine Services' as Western Hemisphere Directorate of Plans?

Mr. BROE. Yes, sir.

Senator CHURCH. Were you in charge of Clandestine Services for the Western Hemisphere?

Mr. BROE. Yes, sir.

**JULY 16 MEETING WITH GENEEN**

Senator CHURCH. On July 16, 1970, did you meet with Mr. Harold Geneen, the president of the International Telephone & Telegraph Co.?

Mr. BROE. Yes, sir.

Senator CHURCH. Did that meeting take place in Mr. Geneen's hotel room at the Sheraton Carlton Hotel in Washington, D.C.?

Mr. BROE. Yes, sir.

Senator CHURCH. Did the meeting take place in the evening?

Mr. BROE. Yes.

Senator CHURCH. How long did the meeting last?

Mr. BROE. It was slightly less than an hour.

Senator CHURCH. Were you introduced to Mr. William Merriam by Mr. Geneen on July 16?

Mr. BROE. No. I was waiting in the lobby of the Sheraton Carlton Hotel and Mr. Merriam presented himself to me. We went up to the suite upstairs and we waited for Mr. Geneen to come because Mr. Geneen was delayed.

Senator SYMINGTON. Excuse me, if I may, how did he know who you were?

Mr. BROE. He came up to me and asked me, I was the only one frankly, sitting in the lobby at the present time.

Senator SYMINGTON. Thank you.

Senator CHURCH. So those were the circumstances of your first meeting with Mr. Merriam?

Mr. BROE. Yes, sir.

Senator PERCY. Mr. Chairman, could I go back to one other point here? How did it happen, Mr. Broe, that you were selected to be sent to meet with Mr. Geneen, and can you fill us in on the explanation that was given to you by Mr. Helms or whoever gave the directions to you as to what the purpose of the meeting was?

Senator CHURCH. Senator, this is in the line of questions.

Senator PERCY. It is? Go right ahead then, please.

Senator CHURCH. I think perhaps for continuity we might go through the line of questions and then if Senators have questions

we can go to them. You have testified Mr. Merriam did accompany you to Mr. Geneen's room?

Mr. BROE. Yes, he did accompany me.

Senator CHURCH. Did Mr. Merriam leave Mr. Geneen's room before you began your discussion with Mr. Geneen?

Mr. BROE. Yes, he did.

Senator CHURCH. So you and Mr. Geneen were alone?

Mr. BROE. Yes, sir.

Senator CHURCH. Throughout your discussions?

Mr. BROE. Yes, sir.

#### HELMS ORDERED MEETING

Senator CHURCH. Did Mr. Helms advise you that Mr. John McCone, former Director of the CIA, had called him and suggested that someone on Mr. Helm's staff meet with Mr. Geneen?

Mr. BROE. Yes, sir.

Senator CHURCH. Did Mr. Helms advise you that Mr. Geneen would be in Washington on July 16 and that you should get in touch with him and arrange a meeting with him?

Mr. BROE. Yes, sir.

Senator CHURCH. So you went to the hotel that evening at the direction of and with the authority of Mr. Helms?

Mr. BROE. That is right.

Senator CHURCH. Did you call Mr. Geneen to arrange the meeting?

Mr. BROE. No; no, I was supposed to contact Mr. Geneen, but I was contacted by Mr. Merriam and advised Mr. Geneen had an appointment in the early evening, and he desired to see me after the appointment but late in the evening.

Senator CHURCH. So the arrangement you made was through Mr. Merriam?

Mr. BROE. That is right, sir.

#### GENEEN REQUESTED INFORMATION ON CHILE

Senator CHURCH. When you met with Mr. Geneen, did Mr. Geneen ask you for a detailed briefing on the political and economic situation in Chile?

Mr. BROE. Mr. Geneen requested information on the electoral situation, such as the status and potential of the candidates and their parties and the campaign as of that date. That is what we talked about.

Senator CHURCH. You talked about the political situation?

Mr. BROE. That is right. How the campaigns were going, who the campaigners were.

Senator CHURCH. What their prospects were?

Mr. BROE. That is right, sir.

Senator CHURCH. You then gave him such a briefing on the political—

Mr. BROE. Yes.

Senator CHURCH [continuing]. Situation in Chile?

Mr. BROE. Yes, sir.

## ELECTION FUND FOR ALESSANDRI

Senator CHURCH. Did Mr. Geneen say to you that he was willing to assemble an election fund for one of the Chilean Presidential candidates, Mr. Jorge E. Alessandri?

Mr. BROE. Yes; he did.

Senator CHURCH. You remember that quite definitely and specifically?

Mr. BROE. Yes, sir; that is right.

Senator CHURCH. Did he say that the amount of the fund would be substantial?

Mr. BROE. He indicated he was considering a substantial fund.

Senator CHURCH. Did he mention a specific figure?

Mr. BROE. No; he did not.

Senator CHURCH. Did he say to you that he wanted the fund controlled and channeled through the CIA?

Mr. BROE. Yes; he did.

Senator CHURCH. Did you agree to accept the fund offered by Mr. Geneen?

Mr. BROE. No; I did not.

## CIA REFUSED OFFER

Senator CHURCH. Did you explain to Mr. Geneen why the CIA could not accept such a fund?

Mr. BROE. Well, I told him we could not absorb the funds and serve as a funding channel. I also told him that the U.S. Government was not supporting any candidate in the Chilean election.

Senator CHURCH. I think you have already testified that no one else other than yourself and Mr. Geneen were present at the time that this discussion took place?

Mr. BROE. That is right.

## PURPOSE OF FUND

Senator CHURCH. During the discussion did Mr. Geneen at any time indicate what the fund that he stood ready to contribute was to be for, or was intended for, constructive use, technical assistance to agriculture, the building of houses or anything of that character?

Mr. BROE. It was to support Jorge Alessandri.

Senator CHURCH. It was to support Jorge E. Alessandri, one of the Presidential candidates?

Mr. BROE. Yes, sir.

Senator CHURCH. Did Mr. Geneen escort you to the lobby after the conversation?

Mr. BROE. I cannot remember if he went to the lobby or as far as the elevator. He escorted me out of the room.

## FUTURE CONTACT

Senator CHURCH. Did he ask you to stay in touch with Mr. Merriam?

Mr. BROE. No, he did not. What he did say to me, "If I am out of town at any time you can get in touch with vice president Ned Gerrity."

Senator CHURCH. Do you recall whether he asked Mr. Merriam to stay in touch with you?

Mr. BROE. Not in my presence.

#### 1964 ELECTION FUND

Senator CHURCH. In the course of his conversation with you, did Mr. Geneen advise you that ITT and other U.S. companies in 1964 had raised an election fund to influence the Chilean Presidential election which took place at that time?

Mr. BROE. Yes. He stated that a group of businessmen had desired to invest in the 1964 election and they had contacted Mr. McCone, who was then the DCI, the Director of Central Intelligence, and who would not accept the fund. He had said, no.

Senator CHURCH. Did he mention to you that other firms had been involved besides ITT—

Mr. BROE. No.

Senator CHURCH [continuing]. In 1964?

Mr. BROE. It says—did you mention what other firms, in here, not that other firms—

Senator CHURCH. Excuse me. Did he mention to you what other firms had been involved besides ITT?

Mr. BROE. No. [Deleted.]

#### JULY 27 CONVERSATION WITH GENEEN

Senator CHURCH. Did Mr. Geneen call you by telephone on July 27, 1970?

Mr. BROE. No.

Senator CHURCH. Did he ask you whether the Agency was now prepared to accept the control of an election fund to be used for the support of the Alessandri candidacy?

Mr. BROE. I think I should correct the previous question. Mr. Geneen did not call me. At the July 16, meeting Mr. Geneen advised me he was leaving for Europe shortly, in fact, I think it was the next day or the next 2 days, and he was going to return on the 27th of July. He asked me to call him on the 27th of July to advise him if there had been any change in the Chilean situation. I called him on the 27th and we talked very briefly about the progress of the candidates. I do not think we talked more than 2 or 3 minutes actually, because he was obviously very busy, he took the call and I talked to him very briefly and that was all.

Senator CHURCH. In that conversation did he ask you whether the Agency was now prepared to accept the control of an election fund to be used for the support of the Alessandri candidacy?

Mr. BROE. No, he did not.

Senator CHURCH. He did not revive the subject?

Mr. BROE. No, he did not.

#### SEPTEMBER 22 LUNCH WITH MERRIAM

Senator CHURCH. In September 1970, did you receive a telephone call from Mr. William Merriam of the Washington office of ITT inviting you to lunch?



Mr. BROE. Yes.

Senator CHURCH. Did you accept that invitation?

Mr. BROE. Yes, I did.

Senator CHURCH. Did you have lunch with Mr. Merriam on September 22, 1970, at the Metropolitan Club?

Mr. BROE. Yes, I did.

Senator CHURCH. Were your superiors in the CIA advised of this and did you go with their authority?

Mr. BROE. They were aware I was meeting Mr. Merriam.

#### DISCUSSION OF HENDRIX/BERRELLEZ MEMORANDUM

Senator CHURCH. Did Mr. Merriam outline the contents of a cable by a Mr. Hendrix and a Mr. Berrellez dated September 17, 1970, analyzing the Chilean political situation?

Mr. BROE. Yes.

Senator CHURCH. Did you discuss with him the prospects for success of the so-called Alessandri formula?

Mr. BROE. Well, I cannot specifically remember discussing the Alessandri formula, but as I said before to the other gentleman I may very well have because it was of great interest at that time and we were all watching it to see if there was any feasibility to it.

Senator CHURCH. Did you advise him that the measures proposed in the Hendrix-Berrellez cable seemed to be all right?

Mr. BROE. Yes. I have recently looked at that memorandum in question and my attention is drawn to items 1, 2, and 5 of the recommendations. These are the items that pertain to the support to El Mercurio, support to a group of propagandists and also the effort to get information out through European countries as to what the status of Chile might be, and these are on the list of the ITT recommendations, 1, 2, and 5. Now, these are the types of items I could have commented on, but it should be noted I was not asked to consider the items for approval.

#### HENDRIX/BERRELLEZ RECOMMENDATIONS APPROVED

Senator CHURCH. For the record, there are five items here. I think we ought to read them into the record so we can understand one another. Part of the memo in question reads as follows:

We will be advised what help we can contribute as present activities develop between now and early October.

We have recommended, apart from direct assistance, the following:

1. We and other U.S. firms in Chile pump some advertising into Mercurio. (This has been started.)

2. We help with getting some propagandists working again on radio and television. There are about 20 people that the Matte and Edwards groups were supporting and we should make certain they are revived. Allende now controls two of the three TV stations in Santiago and has launched an intensive radio campaign.

3. Assist in support of a "family relocation" center in Mendoza or Baires for wives and children of key persons involved in the fight. This will involve about 50 families for a period of a month to six weeks, maybe two months.

4. Bring what pressure we can on USIS in Washington to instruct the Santiago USIS to start moving the Mercurio editorials around Latin America and into Europe. Up until I left, they were under orders not to move anything out of Chile.

5. Urge the key European press, through our contacts there, to get the story of what disaster could fall on Chile if Allende and company win this country.

These are immediate suggestions, and there will be others between now and October 24 as pressure mounts on Frei and the Christian Democrats.

I take it that in this conversation, these five recommendations were reviewed, and you gave them your general approval. Is that correct?

Mr. BROE. I had read this document. It was not sent to me for approval. It was just sent to me. Later, Mr. Merriam, without any discussion of those, said, "What do you think of the proposals?" and I said I think they are all right. Then, there was no discussion. As a matter of fact, I do not think Mr. Merriam knew too much about what was in them.

Senator CHURCH. Did you request a copy of the Hendrix-Berrellez cable from Mr. Merriam?

Mr. BROE. He offered to furnish me a copy.

Senator CHURCH. And he furnished you a copy?

Mr. BROE. That is right.

Senator CHURCH. You took the copy back with you then?

Mr. BROE. No. He asked me if I could send somebody over to pick another copy up. He was going to make a copy at his office.

Senator CHURCH. And you sent a messenger to pick up the cable or a copy of the cable?

Mr. BROE. Yes, sir, that is right.

#### NO FUND OFFER BY MERRIAM

Senator CHURCH. Did Mr. Merriam advise you that if the U.S. Government had a plan designed to stop Mr. Allende from being elected or being confirmed as President that ITT would make a substantial sum of money available in support of that plan?

Mr. BROE. I cannot recollect Mr. Merriam saying that. I do not believe he made any statement like that.

#### A CASUAL LUNCH

Senator PERCY. Mr. Chairman, before we leave that luncheon, how long was the luncheon, Mr. Broe?

Mr. BROE. About, I think, three-quarters of an hour.

Senator PERCY. It really does not seem as though there was an awful lot of talk going on. I do not get the sense of what really happened at the luncheon. A very important cable is discussed—

Mr. BROE. Actually—

Senator PERCY [continuing]. But I cannot get a feel as to what you were recommending, what they were pressing for.

Mr. BROE. Sir, there was not any pressing, because Mr. Merriam sent this cable to me and I read it. But we did not meet at the luncheon necessarily to discuss that. He invited me to lunch. We talked about it. Mr. Merriam knew very little about it. Mr. Merriam knew very little about Chile, so we did not have any full discussion of the thing. We talked about many things. It was the first time I ever sat down with him. We talked about a lot of things, about daughters and education and things like that. It was not sort of a sitting down, Senator, and discussing this thing in detail. It just was not. We did not do that. There was an eight-page memorandum with some recommendations to it, and we just never got to the thing. He just asked me a question about, well, what do you think of the material? He asked me what I thought of the reportorial part of the thing, and I felt some of that was

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very good, and I thought the assessment was pretty good, and he said what did I think about the recommendations, and I said I thought they were all right. That is all.

Senator PERCY. I think that helps me a lot because I can understand that kind of a luncheon. If you are really getting acquainted, communicating, as you say, that way, and this was not a concentrated, intensive discussion between two people who were on the same wavelength, then I can understand it a little better. Thank you.

#### MERRIAM UNDER PRESSURE TO ACT ON CHILE

Senator CHURCH. Did Mr. Merriam at that luncheon, or at any other time, advise you that he was under great pressure from the head office in New York to get something done in connection with the Chilean political situation, or words to that effect?

Mr. BROE. Yes, he did.

#### SEPTEMBER 29 MEETING WITH GERRITY

Senator CHURCH. Did you call Mr. Edward Gerrity, the ITT vice president in charge of Government operations and public relations, to arrange a meeting with him in his office in New York City?

Mr. BROE. Yes, sir.

Senator CHURCH. This call, once again, was made under the authority of your superiors?

Mr. BROE. Yes.

Senator CHURCH. And in full knowledge of your superiors?

Mr. BROE. Yes.

Senator CHURCH. Did Mr. Helms instruct you to call Mr. Gerrity to arrange such a meeting?

Mr. BROE. Yes, he did.

Senator CHURCH. Did you meet Mr. Gerrity on September 29 or 30 in his office in New York City?

Mr. BROE. Yes.

Senator CHURCH. Did you discuss with Mr. Gerrity the feasibility of possible actions by U.S. companies designed to create or accelerate economic instability in Chile?

#### FEASIBILITY OF ECONOMIC PRESSURE DISCUSSED

Mr. BROE. I explored with Mr. Gerrity the feasibility of possible actions to apply some economic pressure on Chile; yes, sir.

Senator CHURCH. What did you understand the purpose of applying economic pressure to be?

Mr. BROE. Well, at the time, September 29, the Christian Democratic Members of Congress were showing indications of swinging their full support to Allende in the belief that they could make a political bargain with him. It was felt if a large number of Congressmen, Christian Democratic Congressmen, swung their support to him, he would take office with a mandate from the majority and he would be in a very strong position. At the same time, the economic situation had worsened because of the reaction to the Allende election, and there were indications that this was worrying the Christian Democratic Congressmen. There was a thesis that additional deterioration in the economic situa-

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tion could influence a number of Christian Democratic Congressmen who were planning to vote for Allende. This is what was the thesis.

Senator CHURCH. This was the purpose, then.

Did you discuss with Mr. Gerrity the feasibility of banks not renewing credits or delaying in doing so?

Mr. BROE. Yes, sir.

Senator CHURCH. Again, for the same purpose?

Mr. BROE. Yes, sir.

Senator CHURCH. Did you discuss with Mr. Gerrity the feasibility of companies dragging their feet in spending money and making deliveries and in shipping spare parts?

Mr. BROE. Yes, I did.

Senator CHURCH. Did you discuss with Mr. Gerrity the feasibility of creating pressure on savings and loan institutions in Chile so that they would have to shut their doors, thereby creating stronger pressure?

Mr. BROE. Yes.

Senator CHURCH. Did you discuss with Mr. Gerrity the feasibility of withdrawing all technical help and not promising any technical assistance in the future?

Mr. BROE. Yes, sir.

Senator CHURCH. Though I have asked the question, anticipating it in advance, let me ask it again. Was the objective of trying to create economic instability in the ways discussed to foment internal unrest which would lead the military to intervene and stop Allende from becoming President?

Mr. BROE. No.

Senator CHURCH. If this was not the objective, would you state what was the objective in attempting to create instability in Chile?

Mr. BROE. Do you want me to repeat what I just said?

Senator CHURCH. I think you have already answered that, but, again, that is the proper answer.

Mr. BROE. That is right.

#### LIST OF COMPANIES IN CHILE PROVIDED

Senator CHURCH. Did you provide Mr. Gerrity with a list of companies doing business in Chile?

Mr. BROE. Yes, sir.

Senator CHURCH. Did you ask him to contact these companies to determine the feasibility of the actions referred to in the prior questions?

Mr. BROE. As part of the discussion, I advised him that in our opinion these were companies that could contribute, providing the economic course was feasible.

Senator CHURCH. Did you tell Mr. Gerrity that ITT was the only company that had come to the Agency and expressed a willingness to take actions with respect to forestalling Mr. Allende from becoming President of Chile?

Mr. BROE. I told Mr. Gerrity that ITT was the only company that contacted the Agency and expressed an interest in the current situation in Chile.

Senator PERCY. When you indicated that, "I advised him that in our opinion, these were companies that could contribute," contribute what?

Mr. BROE. Well, could do something about it.

Senator PERCY. Contribute money?

Mr. BROE. No, sir; no.

Senator PERCY. Technology, know-how, pressure?

Mr. BROE. No, they could participate, maybe I should say participate, maybe I should say participate rather than contribute.

Senator PERCY. Participate.

Senator CHURCH. Participate in the plan for economic dislocation?

Mr. BROE. The companies were in business in Chile and, therefore, they could participate if they felt this was feasible.

Senator CHURCH. Just to make it certain they could participate in a plan if it were to prove feasible of creating economic pressures on Chile.

Mr. BROE. That is right, sir.

Senator CHURCH. Did you advise Mr. Gerrity of other steps the Agency might be taking?

Mr. BROE. I did not.

Senator CHURCH. Did you call any companies other than ITT or any banks in New York or California and propose to them measures designed to create economic instability in Chile?

Mr. BROE. No. The only company that I had anything to do with in regard to Chile was ITT and the people I have mentioned.

#### POSSIBILITY OF MILITARY COUP

Senator CHURCH. Did you speak by telephone with an individual in the Washington office of ITT on October 6, 1970?

Mr. BROE. Yes. Again, I would just like to say that I did not recollect that until we had our conference the other day and Mr. Levinson showed me a memorandum which covered a telephone call.

Senator CHURCH. You are familiar with the memorandum of the telephone conversation?

Mr. BROE. Yes; Mr. Levinson showed it to me.

Senator CHURCH. In that conversation, do you recall having made the statement that there is always a chance something might happen later?

Mr. BROE. Well, I doubt that was the wording I used. I just cannot recollect my wording, but from my personal estimate I indicated that the military would not act against Allende, so there would not be anything happening.

Senator CHURCH. But you are not in a position to say that you did not state in the conversation that there is always a chance something might happen later?

Mr. BROE. No; I could not.

Senator CHURCH. The something would have been the possibility of a military coup d'etat?

Mr. BROE. No; that is what I cannot recollect. I do not believe I said it because one of the things I firmly believed and I told everybody was that I did not think the military would take action.

Senator CHURCH. Do you remember stating that the military still might do something?

Mr. BROE. No. Again, as I said, I do not recall such a statement. As I pointed out, it was my feeling that the military would not act against Allende.

Senator CHURCH. Did you suggest in that telephone conversation something like a run on the banks?

#### ACCELERATING ECONOMIC DETERIORATION DISCUSSED

Mr. BROE. That, again, I just cannot recollect talking about, because all my conversation on the economic matters had focused on how the deteriorating economic situation could be accelerated, but we did not talk about a run on the banks.

Senator PERCY. Would that not be a natural outgrowth of it, though, lack of confidence, widespread public—

Mr. BROE. Well, the period was a very short period. We are talking on September 30, and elections were October 24. Anything that might be done by the companies was just something that might be done quickly, so that the Congressmen could get an indication, an impact. It was not a program that was going to go for the next 6 months, or a year, or anything like that. That is why I just never have talked to anybody about a run on the banks that I can recollect.

#### ITT CONTACTS AUTHORIZED BY HELMS

Senator CHURCH. In the course of these contacts and conversations with ITT officials in which the feasibility of different steps for creating economic dislocation, economic pressures in Chile were discussed, I take it that your superiors had knowledge of the discussions and knew what the discussions concerned?

Mr. BROE. Yes, sir.

Senator FULBRIGHT. Could it be specific? You knew Mr. Helms knew about it?

Mr. BROE. Yes, sir.

#### OCTOBER 9 LUNCH WITH MERRIAM

Senator CHURCH. Did you have lunch with Mr. Merriam October 9, 1970, at the Metropolitan Club?

Mr. BROE. Yes, sir.

Senator CHURCH. Did Mr. Merriam invite you to lunch on October 9, 1970?

Mr. BROE. Yes, sir.

Senator CHURCH. Did you advise Mr. Merriam that approaches continue to be made to select members of the Armed Forces in an attempt to have them lead some sort of uprising?

Mr. BROE. No. On a number of occasions Mr. Merriam questioned me regarding possible action by the military as this was a subject everyone was interest in. I advised him that our coverage of the military gave no indication they would take action.

Senator CHURCH. Did you advise him in that conversation as to whether approaches to the Chilean military were being made by agents of the CIA?

Mr. BROE. I did not.

Senator CHURCH. Did you state to him that practically no progress has been made in trying to get American business to cooperate in some way so as to bring on economic chaos?

Mr. BROE. No; I did not.

## ADVISED MERRIAM NIXON ADMINISTRATION WOULD TAKE HARD LINE

Senator CHURCH. Did you state to him your opinion that the Nixon administration would take a very, very hard line when and if Allende is elected?

Mr. BROE. Mr. Merriam was, in one of our conversations, he was complaining that the U.S. Government took too soft a line on Latin America and he cited the U.S. Government reaction in the International Petroleum Co. situation in Peru. He was very critical of that and I gave my opinion that if Allende was elected the U.S. Government approach would be severe. That is what I told him. I thought it would take a stronger position.

Senator CHURCH. Did you assure Mr. Merriam in that conversation that the President had taken a long hard look at the situation and was prepared to move after the fact?

Mr. BROE. No; I did not.

## OTHER LUNCHES WITH MERRIAM

Senator CHURCH. Did you have any further contact with Mr. Merriam in connection with the political situation in Chile?

Mr. BROE. I think I had lunch with Mr. Merriam on two other occasions.

Senator CHURCH. Do you remember when and where those contacts took place?

Mr. BROE. No; I cannot remember the dates, but, you see, all my meetings with Mr. Merriam were luncheon meetings and he always took me to the Metropolitan Club or F Street Club, and on one occasion we did lunch at the Port of Georgetown Restaurant. I believe that was after the period that we are interested in here. That was in December.

Senator CHURCH. What did you discuss with Mr. Merriam in these meetings?

Mr. BROE. Well, in each one of these Merriam would invite me to lunch and then try to find out from me what was the current status of the situation, where were we, where were things going in Chile at that time, and that is as much as we would discuss and I would generally give him an assessment of the situation.

Senator CHURCH. Was there further talk at these later meetings of the possibilities of concerted action that might create economic chaos?

## OPERATIONAL DISCUSSIONS WITH GERRITY

Mr. BROE. In my discussions with Mr. Merriam, I did not have any what I would call operational discussions. We did not discuss this type of thing that you just asked me. In other words, it was—with him. The only discussion I had that I would say was operation was when I talked to Gerrity.

Senator CHURCH. When you talked to Gerrity in New York?

Mr. BROE. That is right. But my discussions with Merriam were not of that nature at all.

Senator PERCY. Did you feel he lacked competence to fully discuss this subject? He was really not prepared to discuss it at the level that you could discuss it?

Mr. BROE. That is right, sir. He was to report, I guess to New York, as part of his duties, what the situation was in Chile, as I gave it to him but I do not think for a minute that he knew, he did not know the names, the people, he did not know anything about Chile.

Senator CHURCH. So your operational discussion was with Mr. Gerrity in New York?

Mr. BROE. That is right.

#### OTHER REVELATIONS

Senator CHURCH. Tell me, Mr. Broe, are there any things that you should tell us, which might come out at a later time on this subject and lead to the inference that you may have held back something of relevance to this general question? We do not want to be confronted with a situation later where it is said that you did not tell us because we did not ask the question.

I asked that question because in the letter I sent to Mr. Schlesinger and in his reply it was understood that you were to testify on anything relating to the contact that you had with ITT during this general period.

Mr. BROE. That is right, sir.

Senator CHURCH. And you cannot think of anything else that we ought to know?

Mr. BROE. No, sir.

Senator CHURCH. Within that general frame of reference.

Mr. BROE. No, I do not think so.

Senator CHURCH. Senator Case.

#### MEETING WITH GERRITY

Senator CASE. Mr. Broe, I was thinking about your meeting with Mr. Gerrity in New York. Did you ask Mr. Gerrity to get in touch with the several companies on your list to determine the feasibility of these various actions? Did you ask Mr. Gerrity to get in touch with these companies?

Mr. BROE. No, I did not ask him to get in touch with these companies.

Senator CASE. Did you suggest that he do that?

Mr. BROE. As part of the conversation I had a list of companies and I said—

Senator CASE. You gave it to him?

Mr. BROE. I gave it to him and I said, "These are the companies that possibly could do something," but I want to point out, sir, that I was up there trying to explore this.

Senator CASE. Whether it was feasible or not?

#### GERRITY'S NEGATIVE REACTION

Mr. BROE. Whether it was feasible and I must say Mr. Gerrity was very negative about it. He in no way indicated that it made any sense or it was exactly what he wanted out of it.

Senator CASE. Which did not make sense—that other companies would cooperate?

Mr. BROE. No, sir.



Senator CASE. If they did cooperate, they might do some useful things?

Mr. BROE. No; he indicated to me that what we were proposing just really did not make an awful lot of sense, at least, I got a feeling from him that he thought that.

Senator CASE. Your ideas about economic disruption?

Mr. BROE. That is right.

Senator CASE. When you say your ideas, do you mean the CIA's ideas?

Mr. BROE. Yes, sir; that is right. These were ideas staffed, they were passed up to me by people who work for me. I went upstairs; I talked to the people upstairs and I was sent out to check out if they made any sense at all.

Senator CASE. When you say Mr. Gerrity's attitude toward these suggestions was negative, you mean that he did not think that the suggestions would work?

Mr. BROE. That is the way I thought he felt about it, sir. We talked about 25 minutes, and I came away from there feeling that if he talked to anybody about it, Mr. Geneen or anybody else like that he gave me every indication that he did not think it would work.

Senator CASE. He did not think they would work. All right.

Mr. BROE. That was my feeling when I left and I never heard from Mr. Gerrity again about it.

Senator CASE. Any other questions?

#### INTERPRETATION OF HARD-LINE POLICY

Senator PERCY. Mr. Broe, on your answer to a previous question, by Senator Church, you indicated "I gave my opinion that if Allende was elected the U.S. Government approach would be severe."

Mr. BROE. Yes, sir.

Senator PERCY. What did you mean by severe and what do you interpret that to mean?

Mr. BROE. I think he felt in dealing with this and negotiations with Chile that we would take a strong position, and in the future, I think that is what I meant, too, sir.

Senator PERCY. But did he come back and say, "Well, if you are going to be tough after the fact, why don't you get tough before the fact, before it takes place?"

#### GERRITY SKEPTICISM

Mr. BROE. No; he did not. As a matter of fact, his reaction was, I just do not believe it. You say—

Senator PERCY. He did not think there would be a severe line later?

Mr. BROE. You see, at that time he was complaining not so much about this election. He was complaining about the overall approach by the Government to things in Latin America. In other words, we were taking too easy a time with these people [deleted]. So I just said I think in the case of Chile, if Allende is elected, I think that we will take a very severe position—not a very severe, but a severe position.

Senator PERCY. When he came back and said in effect, he did not believe it and I presume that might be because there had not been any indication of it at any time in your discussions; did a difference of opinion come up as to what American policy should be? There must have been differences within the U.S. Government. We are not a homogeneous group, and was there a difference revealed between the CIA approach as to what should be done and the State Department approach?

Mr. BROE. You mean in my discussions with Mr. Merriam?

Senator PERCY. Yes.

Mr. BROE. No, sir.

#### STATE DEPARTMENT BREACH

Senator PERCY. Did you at any time discuss the differences that may have existed within the State Department between the Ambassador to Chile and Assistant Secretary Meyer?

Mr. BROE. No, sir.

Senator PERCY. At no time did they discuss with you their opinion as to the source of the alleged "softness" of American policy, then?

Mr. BROE. They, you mean Mr. Merriam?

Senator PERCY. Yes; Merriam, Geneen or other ITT people.

Mr. BROE. No.

Senator PERCY. Did it at any time come up that if Frei gave the signal, then the military would act?

Mr. BROE. Not within my discussions with Merriam; no, sir.

Senator PERCY. Was it not in the cable that was sent up from their representatives in Latin America, that if Frei would give the signal then the military would act, but not unless he gave the signal?

Mr. BROE. Well, what I am saying, that was not discussed with me at any time. [Deleted.]

#### REASON FOR SENDING BROE TO ITT

Senator PERCY. Yes. Could I go back to my original question then, as to how you were selected, Mr. Broe? And I ask that simply because I have a feeling you are extremely competent, extremely knowledgeable and you were thrown into a situation where you were dealing with someone who is more public relations and Government contact oriented rather than an operational man. Mr. McCone said he was surprised that you were selected, that he felt someone like J. C. King would have been sent to talk to Mr. Merriam. Can you tell us why you were selected—the head of this entire operation for Latin America, an operational man rather than someone who could exchange intelligence contacts and political reporting?

Mr. BROE. Well, all I know is I was originally asked to see Mr. Geneen. They opened the door, they opened the channel, and they continued my handling that channel with ITT. That is all I can say. I do not know why they did not take somebody else.

Mr. LEVINSON. When you say "they"—

Mr. BROE. My superiors, that is right.

Senator PERCY. You had a number of meetings. When it was apparent to you that a man of your stature was not really needed for this

kind of a discussion, that someone else in your operation would be quite competent to report what was actually politically happening down there, not an operating man, why didn't you recommend to your superiors that you be taken off and someone else put on whose time is not as valuable and who could impart just as much information as they were apparently able to absorb?

Mr. BROE. Well, perhaps that is true, perhaps I should have recommended that. I was told I was to keep this channel open and I went to these four meetings to keep it open.

Senator PERCY. Was political pressure, do you suppose, put on at some point to keep a man of your stature on this, an operating man rather than a closer counterpart of their people?

Mr. BROE. I do not believe so, sir. I really do not believe so, sir.

Senator PERCY. But you feel it was a courtesy to Mr. Geneen then, to keep you on this despite the fact that it was apparent to you that your services were not really needed for this series of luncheons?

Mr. BROE. Well, I just do not know.

Senator PERCY. Unless it was building toward really an operational activity in cooperation with the company.

Mr. BROE. I just do not know.

Senator CHURCH. Senator Symington.

#### BROE CAREER

Senator SYMINGTON. How long have you been with the CIA, Mr. Broe?

Mr. BROE. In June, 25 years.

Senator SYMINGTON. Were you with the OSS before?

Mr. BROE. No; I was with the FBI until 1948.

Senator SYMINGTON. 1948.

Mr. BROE. I am retiring from the CIA this year because I will be 60.

Senator SYMINGTON. Who was your immediate superior in the CIA?

Mr. BROE. Mr. Tom Karamessines. He was the deputy in charge of plans.

Senator SYMINGTON. Yes. Does he report to Mr. Helms?

Mr. BROE. He reports to Mr. Helms.

#### NO EXPLANATION FOR BEING SENT TO ITT

Senator SYMINGTON. Did Mr. Helms give you any reason why he wanted you to see the ITT? I think you testified you had never done this before.

Mr. BROE. That is right.

Senator SYMINGTON. Nor did the Agency ever do it before, to the best of your knowledge?

Mr. BROE. No; what I said was that ITT were the only people that I had anything to do with in connection with this Chile aspect, sir.

Senator SYMINGTON. What explanation did Mr. Helms give you?

Mr. BROE. Mr. Helms called me on the phone and said that he had a call from Mr. McCone and Mr. McCone had suggested or asked that someone who was knowledgeable about the situation in Chile get in touch with Mr. Geneen, who was going to be in Washington that day,

and asked me if I would go down and see him. That is all the explanation I got, sir.

Senator SYMINGTON. Thank you.

Thank you, Mr. Chairman.

Senator CHURCH. Any other questions?

Senator FULBRIGHT. Could I ask a question?

Senator CHURCH. Mr. Chairman.

#### WAS ITT IMPLEMENTING U.S. GOVERNMENT POLICY?

Senator FULBRIGHT. Mr. Broe, this may have been in your other questions. Do you consider that the ITT in its actions or suggestions was attempting to implement the Government of the U.S. policy or was it pursuing and promoting its own corporate purposes?

Mr. BROE. I have a hard time with that question, sir.

Senator CHURCH. Do you want the question repeated?

Mr. BROE. Yes.

#### INITIATIVE CAME FROM ITT

Senator FULBRIGHT. You have gone through all the suggestions that have been made. Maybe I will start again. Was the initiative for whatever happened here, about which you have been testifying, taken by the ITT and not the CIA?

Mr. BROE. Yes, sir; except on the one case, sir, when I went out to see Mr. Gerrity. We went up to see him—

Senator FULBRIGHT. I did not mean each meeting.

Mr. BROE. Yes, sir.

Senator FULBRIGHT. But you just testified that Mr. McCone called Mr. Helms. Am I correct to conclude this was the initiative that started the whole chain of events?

Mr. BROE. As far as I know, that is true.

Senator FULBRIGHT. The idea of intervening in the Chilean election came from ITT, not from the CIA. Is that correct?

Mr. BROE. That conversation I had, yes, sir.

Senator FULBRIGHT. From that was it fair to conclude that in what happened here and what ITT did, it was attempting to pursue and promote its own corporate purposes, not to implement the policy of the U.S. Government?

Mr. BROE. I believe so, that is right, sir.

Senator FULBRIGHT. Is that correct?

Mr. BROE. That is correct.

Senator FULBRIGHT. In other words, that ITT was coming to you and saying, "We would like to help the United States and promote its purposes," that was not it, was it? It was there for its own corporate purposes. Is that correct?

Mr. BROE. Yes, I think that, they came and wanted to help support the United States to keep Allende out—to protect their interests.

Senator FULBRIGHT. Did they have any reason, when Mr. McCone called Mr. Helms, to think they were volunteering to help the U.S. policy? Was there a U.S. policy to intervene in the election?

Mr. BROE. No.

Senator FULBRIGHT. No. I just wanted to make it clear.

Mr. BROE. Yes.

Senator FULBRIGHT. He came there for a corporate purpose, not for a public purpose or governmental purpose. Is that correct?

Mr. BROE. Yes, sir.

Senator FULBRIGHT. So the idea originated with the ITT officials. [Deleted.]

Senator CHURCH. That goes beyond our ground rules.

Senator FULBRIGHT. I thought you said a moment ago——

Senator CHURCH. What he said was ITT was the only company that contacted them in connection with Chile.

Mr. BROE. Yes. The question was, did I call these other companies and I said no, I did not call these other companies.

Senator SYMINGTON. [Deleted.]

Senator FULBRIGHT. You can say the only one you really were concerned with in Chile was ITT?

Mr. BROE. They were the only ones I dealt with.

Senator FULBRIGHT. [Deleted.]

Senator CHURCH. If there are no further questions, Senator Percy.

#### NO GROUND RULES FOR CONTACTING OTHER COMPANIES

Senator PERCY. One further question on Mr. Gerrity. When he contacted other companies and you gave him a list of other companies doing business in Chile, was he given any sort of a guideline that would help him in his talks with them? Was he told not to mention the fact that the list was given by CIA? Was he told that he was contacting them strictly for and on behalf of ITT, and not the U.S. Government? What ground rules were laid down when you gave that list?

Mr. BROE. We actually did not lay any hard and fast ground rules. I gave him a list. He was going to take it up with them, but I did not say what you will do and what you will not do.

Senator CHURCH. You gave him the names of the companies in anticipation he would then take the matter up?

Mr. BROE. Yes. But it was understood that he was going to be doing it and CIA was not involved. It was ITT which was looking into the thing.

Senator PERCY. [Deleted.]

Mr. BROE, I want to thank you and may I ask you, Mr. Houston, if it would be possible for you to review this transcript very quickly so that——

Mr. HOUSTON. I think there is no trouble between the main questions. Those last questions we will consider separately.

Senator CHURCH. All right.

Mr. HOUSTON. But I think we can clear it quickly.

Senator CHURCH. If you do that we will be able to proceed.

Mr. HOUSTON. Yes.

Senator SYMINGTON. Mr. Chairman, I would like the opportunity to edit our own questions also.

Senator CHURCH. Yes. Staff, see that members get the opportunity to edit their own questions.

[Subsequent to the hearing, Senator Church released the following statement:]

[For release at 2 p.m., e.s.t., Wednesday, Mar. 28, 1973]

**STATEMENT OF SENATOR FRANK CHURCH, CHAIRMAN, SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS, MARCH 28, 1973**

**RELEASE OF TRANSCRIPT OF THE TESTIMONY OF WILLIAM V. BROE, CIA**

In accordance with an exchange of correspondence between myself, as Chairman of the Senate Foreign Relations Subcommittee on Multinational Corporations, and Mr. James Schlesinger, Director of the Central Intelligence Agency, Mr. Schlesinger agreed to make Mr. William V. Broe of the C.I.A. available for questioning. Mr. Broe gave the members of the subcommittee his version of conversations that took place between himself and various executives of the International Telephone and Telegraph Company in 1970, in connection with the Chilean presidential election. Without Mr. Broe's testimony, the public record would reflect only testimony of the company executives with respect to these conversations. Mr. Broe's testimony thus enables the subcommittee to have before it a full and complete record.

The importance of Mr. Broe's testimony is apparent from a reading of the transcript of his testimony which I am making public today.

In sum, Mr. Broe's testimony indicates four basic points:

First, in his meeting with Mr. Geneen on July 16, 1970, in Mr. Geneen's hotel room in the Sheraton-Carlton Hotel, Mr. Geneen offered to assemble a substantial election fund to be used in support of one of the Chilean presidential candidates, Mr. Jorge Alessandri. Further, that Mr. Geneen wanted this fund controlled and channeled through the C.I.A. Mr. Broe rejected this offer of funds by Mr. Geneen. At no time, during the conversation, did Mr. Geneen refer to any constructive purpose for use of the funds such as low-cost housing, agricultural or technical assistance.

Second, the chain of events leading to contacts between the Central Intelligence Agency and ITT Executives, including the July 16 meeting between Mr. Geneen and Mr. Broe, derived from an initiative taken by Mr. McCone with Mr. Helms, then Director of the Central Intelligence Agency.

Third, Mr. Broe proposed to Mr. Gerrity on September 29, 1970, a plan of action designed to create or accelerate economic instability in Chile. Mr. Gerrity, according to Mr. Broe, was negative about the plan because he did not think that the plan would work.

Fourth, during all his contacts with ITT officials, Mr. Broe was acting with the knowledge and in accordance with instructions given him by his superiors at the C.I.A., specifically including Mr. Helms.

Mr. Geneen, of course, will testify on Monday, April 2, at 10:00 a.m. as to his version of the July 16 meeting with Mr. Broe and the other relevant aspects of the company's activities in Chile. Mr. Geneen's testimony will conclude the testimony of witnesses in connection with this inquiry.

[Whereupon, at 10:35 a.m., the hearing was concluded.]

# THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

TUESDAY, MARCH 27, 1973

UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE OF FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to recess, at 11:35 a.m., in room 4221, Dirksen Senate Office Building, Senator Charles H. Percy, presiding.

Present: Senators Church, Percy, and Case.

Also present: Mr. Levinson and Mr. Blum of the subcommittee staff.

Senator PERCY. Mr. Quigley, would you please rise? Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. QUIGLEY. I do.

Is Mr. Mecham here? Mr. Mecham, could you join us at the table, please? Mr. Mecham, before you are seated, would you care to be sworn? Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MECHAM. I do.

Senator PERCY. Gentlemen, we are pleased to have you with us this morning, and I appreciate your patience very much. Counsel will begin the questioning.

Mr. LEVINSON. Mr. Quigley, will you for the record state your full name and address?

**TESTIMONY OF WILLIAM E. QUIGLEY, VICE CHAIRMAN OF THE  
BOARD OF THE ANACONDA CO.; ACCOMPANIED BY JOHN RODE-  
RICK HELLER III, ATTORNEY**

Mr. QUIGLEY. William E. Quigley, vice chairman of the board of the Anaconda Co., 25 Broadway, New York.

Mr. LEVINSON. In a cable from Mr. Gerrity to Mr. Geneen, dated September 29, 1970, Mr. Gerrity states that he discussed the suggestions with Mr. Guilfoyle, and Mr. Guilfoyle contacted a couple of companies who said "They had been given advice which is directly contrary to the suggestions I (Mr. Gerrity) received."

NOT CONTACTED BY ITT OFFICIAL

When Mr. Guilfoyle testified, he stated in his testimony that among the companies he contacted was Anaconda. When he was asked which individual he contacted at Anaconda, he stated, Mr. Quigley.

Mr. Quigley, did Mr. Guilfoyle call you and discuss suggestions referred to in this cable?

Mr. QUIGLEY. This cable is dated September 29, 1970.

Mr. LEVINSON. That is correct.

Mr. QUIGLEY. Mr. Guilfoyle did not contact me and discuss this cable with me in any way. I was not in New York at this time.

Mr. LEVINSON. How can you be sure that Mr. Guilfoyle did not call you on that day?

Mr. QUIGLEY. I can only be sure from my diary as to where I was. I had attended the American Mining Congress in Denver. I had left there on a Sunday, September 27, and visited my mother, my 97-year-old mother, in Cameron, Mo., for a period of 4 days. I did not return to New York until the first 3 days of October and I left on the 6th of October for Peru. I have no recollection or no record of any such telephone conversation, and I can assure you, I did not ever discuss these types of problems with ITT representatives in any way.

Mr. LEVINSON. Do you have any explanation why Mr. Guilfoyle would have stated that he called you?

Mr. QUIGLEY. Only that I know Mr. Guilfoyle. I have met him, and he knew that I was in charge of Chilean operations for Anaconda.

#### PREVIOUS DISCUSSION ABOUT CHILE

Mr. LEVINSON. You had talked to Mr. Guilfoyle previously about the Chilean situation?

Mr. QUIGLEY. I am not sure I had talked to him previously but I had talked to him two or three times over a period of a year and a half primarily subsequently to the election of President Allende.

Mr. LEVINSON. With respect to this particular telephone conversation to which Mr. Guilfoyle referred on this particular day, you are certain he never called you?

Mr. QUIGLEY. I am certain.

#### CHILEAN EXPROPRIATION OF COPPER COMPANIES

Mr. LEVINSON. Now, Mr. Quigley, I should like to turn to another subject. The copper legislation expropriating copper companies in Chile did not pass the Chilean Congress until July 16, 1971, is that correct?

Mr. QUIGLEY. That is right.

Mr. LEVINSON. That legislation was passed by unanimous vote of the Chilean Congress?

Mr. QUIGLEY. Yes, it was.

Mr. LEVINSON. All right.

Now, in October 1971, a special Chilean tribunal concluded that your company as well as the other large copper companies had made excess profits in Chile so that very little, if any, compensation was due your company, is that a fair statement?

Mr. QUIGLEY. That is a fair statement.

Mr. LEVINSON. Right. So your dispute with the Chilean Government at this time revolves not around the question of whether they had legally expropriated the properties but over the adequacy of the com-

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pensation, if any, that they proposed to pay you, is that a fair statement?

Mr. QUIGLEY. That is a fair statement.

Mr. LEVINSON. Mr. Chairman, I would now like to turn to Mr. Mecham.

In June 1971, you apparently initiated a series of meetings with Washington corporate representatives whose companies and major investments in Chile and other Latin American countries, and they became the so-called Ad Hoc Committee—is that correct?

# **TESTIMONY OF RALPH MECHAM, VICE PRESIDENT, WASHINGTON, ANACONDA CO.**

Mr. MECHAM. That is correct.

Mr. LEVINSON. Mr. Mecham, I would like to refer to your letter of February 10, 1971, to Mr. Jay Parkinson, chairman of the board of the Anaconda Co.

Mr. MECHAM. Yes; I have that.

## **THE AD HOC COMMITTEE ON CHILE—**

Mr. LEVINSON. As I understand it from reading that letter, the plan was to "keep the pressure on Kissinger and the White House and to get frequent speeches in the Congressional Record calling attention to the seriousness of the problem in Chile and Latin America generally." You also state in that letter you suggested to Bill Merriam of ITT that he take the lead in forming this group, which he did.

Can you tell us, Mr. Mecham—if it was your idea to form this group—why did you want Merriam to take the lead?

Mr. MECHAM. Yes; I did. I was new to the job as of January 1, 1971. I did not know most of the corporate representatives in Washington who had operations in Chile. Mr. Merriam did know them, and it became apparent to me that the ITT staff was most familiar with activities in Chile impacting on American corporations and their investments there of all of the corporate representatives I had met. Therefore, it seemed appropriate for him, as a seasoned pro, to take the lead rather than me, as a neophyte.

Mr. LEVINSON. Was it also a consideration that such a group would be more effective if it acted together in applying the pressures you referred to, but that if you and the Kennecott Copper Corp. acted together, there might be some antitrust implication?

Mr. MECHAM. With respect to the latter, no; there was nothing contemplated that even would remotely approach any violation of antitrust legislation. This was a group of people, roughly the equivalent of administrative assistance to Senators, who were getting together to exchange information in an informal way, to keep abreast of what was going on in Chile. I was engaged in a crash education program of my own and was anxious to find out all that I could learn so that I could be more effective representing my company. So the answer is, definitely nothing involved in concerted activity that even remotely approached a violation of antitrust—so I did not have that in mind.

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## KEEPING PRESSURE ON U.S. GOVERNMENT

Mr. LEVINSON. Could you explain to us then what the phrase "keep the pressure on Kissinger and the White House" refers to?

Mr. MECHAM. Yes. In our discussion at the first meeting, as I remember, Mr. Merriam and I both spoke of the desirability of acquainting the White House and other leaders of Government with the serious situation that we faced in Chile: the constitutional amendment that was introduced the preceding December—this was now January—which was obviously a device designed to lead to expropriation of our property without compensation. We felt that our main leaders in Government and Washington were not adequately aware of the very serious problems involved. They seemed to be pretty occupied with Vietnam or Europe or the Middle East, and so, at least in my mind, I was desirous of having this done, I think Mr. Merriam did as well, and so I think that is what we had reference to.

Mr. LEVINSON. Mr. Chairman, Mr. Blum has one or two questions at this point.

Mr. BLUM. I would like to direct your attention, if I may, Mr. Mecham, to a memorandum from Mr. Guilfoyle to Mr. Geneen, dated October 14, 1971, outlining the steps the company—in this case—ITT—has taken in Washington to prod the U.S. Government. The first full paragraph on that page is what I would like to direct your attention to.

Mr. MECHAM. Yes, I see that.

Mr. BLUM. I would like to read it, read at least the last two sentences.

Evidently both companies do not feel they can act together because of Justice Department problems. Quigley is instructing his Washington man, Ralph Mecham, to work closely with Bill Merriam and they will pass on the activities of each company to each other.

Do you have any notion of how Mr. Guilfoyle got that idea?

Mr. MECHAM. No, I do not. As a matter of fact—well, I just do not; I cannot answer it.

Mr. BLUM. Do you, Mr. Quigley?

Mr. QUIGLEY. Are we talking about page 178?

Mr. BLUM. 179—excuse me—179, the paragraph beginning, "He confirmed they are going to push through the Senators to get them to act in behalf of copper and he understands that Kennecott is also moving along the same lines but separately."

Mr. QUIGLEY. I have no recollection of any question about anti-trust or unified action with Kennecott at all.

Mr. BLUM. Did the Department of Justice at that time have an investigation of the copper industry underway, do you recall?

Mr. QUIGLEY. No, not to my knowledge.

Mr. BLUM. You did not tell Mr. Guilfoyle that it would be a good idea to use Mr. Merriam as a conduit?

Mr. QUIGLEY. No, sir.

## CONVERSATION WITH MR. NACHMANOFF

Mr. LEVINSON. Mr. Mecham, I would like to come back to this February 10 letter of Mr. Parkinson in which you summarize your conversation with Mr. Nachmanoff of Mr. Kissinger's staff. You say, "You gave Mr. Neal a series of points for him to take up with Mr. Nach-

manoff when he went to see him, and these visits were a coordinated approach."

Now, did Mr. Nachmanoff in your meeting with him, inform you at this point in January 1971, that all U.S. aid to Chile had been cut off?

Mr. MECHAM. No. As I recall, he did not. He indicated there were some items in the pipeline that would continue to go through. I have forgotten how much. It was not a very large amount but, as I remember, there were some items in the pipeline.

Mr. LEVINSON. But no new loan authorizations?

Mr. MECHAM. I am not aware of any loan authorizations under consideration at that time. There may have been. I do not know.

Mr. LEVINSON. Your letter refers to "Since the AID cutoff, Nachmanoff sees very few pressure points where we can gain leverage with Chile."

Mr. MECHAM. Yes.

Mr. LEVINSON. Was it the purpose of the conversation to determine what the pressure points were that you could get at Chile?

Mr. MECHAM. No, that was not the purpose. That did come up, however. The purpose was to acquaint Mr. Nachmanoff with the serious problems we had there and, I must say, I found him to be more informed on Chile than some other Government officials that I had visited. He seemed to be fully aware of the difficulties that we faced there.

#### U.S. PRESSURE ON CHILEAN ECONOMY

Mr. LEVINSON. The letter states:

He believes the best way to get at Chile is through her economy. However, the question was raised what happens to the companies which are sacrificed while this lesson is being taught to Chile? And he did not have a good response.

So my question is, was he saying that the administration was going to teach Chile a lesson?

Mr. MECHAM. I did not understand that to be the case. I was there asking him to use his good offices to endeavor to persuade Chile that it should negotiate on our claim with Chile. After all, we were 120,000 shareholders who lost a substantial amount of their investments, about four-fifths of it, and we were most desirous of having the U.S. Government use its good offices to endeavor to get Chile to come to the negotiating table. As I recall, he explained that about the only leverage that the U.S. Government had was the stretchout and extension of the Chilean public debt, and that this was about the only way that he knew of whereby the U.S. Government could play a meaningful and significant role in persuading Chile to live up to its international obligations which it had violated by confiscating our properties.

#### COMPANY CONCERN OVER LOANS TO CHILE

Mr. LEVINSON. Did you express concern as to why the Inter-American Development Bank had made two multimillion-dollar loans to Chilean universities the last month?

Mr. MECHAM. Yes, I did express my own view on that, and I think it was shared by the Chairman of the Board. It was inappropriate for the U.S. Government to be awarding in the country which had expropriated the assets of American citizens in Chile.

Mr. LEVINSON. These were two university loans through the Inter-American Development Bank, a multilateral lending institution?

Mr. MECHAM. That is my understanding, yes.

Mr. LEVINSON. And you were expressing it concerning this institution to which U.S. contribution was made, making these two universities loans, to Chile at the time in 1971?

Mr. MECHAM. Yes, I was concerned that the U.S. Government would seem to be rewarding Chile after expropriating or planning to expropriate quite clearly the assets of our company and that of many others.

Mr. LEVINSON. Mr. Mecham, all of the documents that we have seen in connection with the ad hoc committee—the memo of the Bank of America referred to some days earlier, your letter here addressed to the Chairman of the Board, Mr. Merriam's minutes of the ad hoc group's meeting—all of these documents refer to a plan to put pressure on the U.S. Government and, in particular, Mr. Kissinger's office, designed to put economic pressure on Chile.

#### KIND OF PRESSURE PROPOSED

Did the ad hoc group ever consider that the kind of pressure it was proposing to put on Allende would convert this individual, who had been described by one of the ITT reporters in the field, Mr. Berrellez, as a soft-lining Marxist, into an anti-American extremist?

Mr. MECHAM. You say was this discussed with the committee?

Mr. LEVINSON. Yes, was it ever considered, the kind of external pressure, that it was proposing. Was this ever considered?

Mr. MECHAM. I do not recall that this came up in those specific terms. It may have been; it has been 2 years now, and I just do not recall. I know the concern was that if he were allowed to get away with it, with no pressure whatever, that this could well create a precedent that would lead to nationalization of oil in the Middle East and a variety of other things that I personally was concerned about and I guess others were concerned, too.

#### ALTERNATIVE STRATEGY TO SUPPORT CHILE

Mr. LEVINSON. Did the group ever consider an alternative strategy, in which the international lending institutions might have been encouraged to go forward with loans to Chile so that Allende might have been convinced that the task of social transformation which he and his government had set as their first priority might be eased by foreign external financing? Thus he might have been encouraged to avoid a confrontation with the U.S. Government over expropriation of your company and others without adequate compensation?

Mr. MECHAM. I am sure individual members of the group contemplated that possibility. I think it would overstate the group's talking in terms of strategy because essentially it was a group of reps here in Washington and exchanging information. They certainly did not act in concert, to my knowledge; indeed, I would say it was more, in common parlance, an ad hoc committee more than an ad hoc committee, and it was most bland in concept and what it did. So to talk in terms of group strategy, I am really afraid there was not much of one. I am sure those considerations were in mind. There were diverse inter-

ests there, some with very modest stake, others with a very great stake in Chile, others whose interests were impacted differently by Marxist doctrine than others, and what we discovered was there was no great agreement among the group except that no country should be allowed to expropriate without compensation and thus, violate international law.

Mr. LEVINSON. But the primary thrust is, as you state in your letter of February 10, 1971, to Mr. Parkinson when you outlined the purpose: "The plan is to keep the pressure on Kissinger and the White House."

#### CONVERSATION WITH SECRETARY OF STATE ROGERS

Mr. Quigley, I should like to refer you to Appendix IV, page 1074, which refers to a memorandum of conversation with Secretary of State Rogers in which you and a number of other representatives of American companies participated on October 21, 1971.

This memo of conversation was provided by Anaconda in the papers which you submitted to this subcommittee, pursuant to our request. You attended this meeting, did you not, on behalf of Anaconda?

Mr. QUIGLEY. Yes, I did.

Mr. LEVINSON. Who prepared the memorandum of conversation?

Mr. QUIGLEY. I think this was prepared by ITT, was it not? It was not prepared by us. I do not know the origin of it. I know it was not our memorandum.

Mr. LEVINSON. But you were present at the meeting?

Mr. QUIGLEY. Yes, I was.

Mr. LEVINSON. Now, in this memo the Secretary is quoted as saying that:

There appeared to be little leverage that the Government could use against Chile, but that they would take all actions open to them. He discussed his meetings with Foreign Minister Almeda of Chile during the opening of the U.N. He stated he had never been more rude to any other diplomat. Rogers said he attempted to press Almeda to stop the copper expropriations and filing for excess profits and taxes. Almeda is reported to have discussed this with Allende on his return to Chile. Nothing happened.

Is that a fairly accurate transcription of what the Secretary did say?

Mr. QUIGLEY. Yes, it is.

#### INFORMED EMBARGO CONSIDERED

Mr. LEVINSON. The Secretary is reported to have raised the question, "The Secretary raised the question of whether there should be an informal embargo on spare parts and materials being shipped to Chile. The consensus of the group was quite mixed. Rogers recommended that there be periodic meetings of the group to attempt to solidify a position."

Is that a fair and accurate transcription of what the Secretary said.

Mr. QUIGLEY. Yes, it is.

#### NIXON ADMINISTRATION FAVORS BUSINESS

Mr. LEVINSON. Secretary of State Rogers is also quoted as stating "In opening and two or three times during the hour and 45 minutes continued to state that the Nixon administration was a 'business

administration' in favor of business and its mission was to protect business."

Did he tell the group that as well?

Mr. QUIGLEY. He did in reference to the group that was involved, in other words, the protection of business interests abroad. He did, yes.

Mr. LEVINSON. The group involved—

Mr. QUIGLEY. I do not know that he expressed it as being a business administration generally in the United States as such but that it was to protect business in foreign operations, yes.

Mr. LEVINSON. In other words, his references when he said that the Nixon administration was a business administration in favor of business and its mission was to protect business, was in the context of the particular companies that had investments in Chile at that time?

Mr. QUIGLEY. Yes; he was talking to us as a group, and I think our whole pitch at that meeting was that our interests were being expropriated or had been expropriated in fact, at this time—this is, what is the date of it, this is September 1971, after our properties had been expropriated and he was explaining that they were interested in business and they were interested in protecting business.

Mr. LEVINSON. I have no more questions, Mr. Chairman.

#### COMPANY CONCERN FOR COMPENSATION

Senator PERCY. Mr. Mecham, you indicated that your concern was to get adequate compensation for Anaconda.

Mr. MECHAM. That is true.

Senator PERCY. And that is understandable. You had that responsibility. What I have trouble trying to determine is what kind of assistance would have been offered if economic pressure had been put on to create economic chaos. Obviously, with your properties expropriated, you wanted compensation. But it would be more difficult for a country faced with economic collapse to make compensation than a country able to adequately finance such a venture. Could you expand on your own thinking about this.

Mr. MECHAM. Yes, I would be happy to. My own thinking, and I think also the thinking of Mr. Quigley, was that we certainly did not wish to induce economic chaos in Chile. After all, we did want to be paid off.

On the other hand, we certainly did wish to have our own Government do all that it could within the bounds of our foreign policy, to use its good offices to get Chile to the negotiating table so that they would compensate us, and to use whatever leverage that was necessary to do that that was consistent with that objective. There was no policy on the part of our company or our management to try to bring Chile to its knees economically. What we wanted to do was to get compensated and wanted our own Government to help us.

Mr. QUIGLEY. This was prior to expropriation, this was in January 1971.

#### HARD LINE VERSUS SOFT LINE TOWARD CHILE

Senator PERCY. Throughout the course of these hearings we have heard a good deal about a hard line and a soft line toward Chile. Where in the U.S. Government did you identify the soft line and where did you see the hard line?

Mr. QUIGLEY. Well, this distinction between what constitutes a hard line and a soft line is one that is mere terminology. When I returned from Chile in the latter part of February 1971—and that was the first time I had any knowledge of the ad hoc committee—I talked to Mr. Mecham and instructed him that with the constitutional amendment affecting the Anaconda Co., we would not participate in any joint action of any kind. We had the biggest investments in Chile, we had our own problems, we knew essentially what we thought the development was going to be, and our whole approach at that time was dealing directly with the Chilean Government to try to force them—not force, but to get them to carry out the arrangements we had made with the Frei government, and to, in effect, be paid in accordance with the deal that we had previously made and if they would live up to that and there could be some change in the constitutional language of the amendment that would give Allende the out to do that. Our whole intent was to carry out the original deal, and end up with the compensation that we felt was relatively fair under the present circumstances.

Senator PERCY. Did you feel then the pursuit of a hard line as recommended by, say, some of the representatives of ITT might have been contrary to your interest and may have endangered the successful outcome of your negotiations?

Mr. QUIGLEY. Well, you have to put this in the frame of timing. With the introduction of the constitutional amendment in December of, late December 1970, our approach to the U.S. Government and to the State Department was one of setting forth what the U.S. position was in connection with international law so that the Chilean Congress and the members of that Congress would probably arrive at a device that would permit adequate compensation. We were strongly in favor of our Government taking a firm position as to what our position was in international law. So if that is a hard line we were in favor of that, sir.

But we were not in favor of any economic approach to Chile that would bring them to their knees and make it impossible for us to carry out the plan that we had to collect compensation.

#### INADEQUATE U.S. GOVERNMENT ACTION

Senator PERCY. Did you feel throughout your contacts and relationships with the U.S. Government, essentially the State Department, that in your judgment they were doing all that was possible under the circumstances?

Mr. QUIGLEY. No. I did not.

Senator PERCY. Could you expand on what you felt they should have done?

Mr. QUIGLEY. Yes. Our big problem, of course, was after the election of Allende by the congress, which we anticipated as being the historical practice in Chile of electing the individual with the biggest plurality, and on December 12, through our offices in Chile we were able to get a preliminary draft of the constitutional amendment.

I came down to Washington on the 14th of December and met with Mr. Meyer and Mr. Crimmins and explained the character of this amendment and that it was a veiled procedure by which they would

deny us our rights to the court system in Chile which we had depended upon for over 50 years in Chile, and if this amendment was introduced Allende would be pretty well embedded to support it and it would be very, very difficult to get changes at that time and I thought now was the time for a strong position by our Ambassador in Chile to attempt to prevent the, or at least get the constitutional amendment changed before it got bedded down in the congress.

Then, when nothing happened after the amendment was introduced on December 22, we wrote a letter to Secretary Rogers because apparently Mr. Meyer and his group had not been able to accomplish anything. I do not know that they could have accomplished anything, but certainly there was no indication that the Ambassador in Chile, Mr. Korry, had been informed to meet with Allende or meet with anyone to bring about the U.S. side of this picture.

#### CONTACT WITH AMBASSADOR KORRY

Senator PERCY. Were you in touch with Ambassador Korry at the time to determine whether he had received such instructions?

Mr. QUIGLEY. No. But, well, we were in constant contact with Ambassador Korry all during his tenure in Chile, I do not recall that we were specifically in contact with him during that particular period, those particular days, because I was in New York and in Washington at that time. But our people in Santiago met with Mr. Korry on many occasions. He had a regular breakfast once or twice a month in which he met with some of the top industry U.S. representatives in Chile.

Senator PERCY. And it was your feeling that not enough was done?

Mr. QUIGLEY. I do not feel that the United States was expressing the proper concern for a known procedure by constitutional amendment to deprive U.S. citizens to the rights of the courts and the regular historic law of Chile, and that this was a device to, in effect, confiscate our properties without compensation, and I did not see that we were making the proper representation to the Chilean Government of the possible consequences of that move.

Senator PERCY. Were you ultimately satisfied after meeting with Secretary Rogers that the proper representations had been made?

Mr. QUIGLEY. That was long after the expropriation of our property; that was 6, 8 months later.

#### SPECIAL EMISSARY TO CHILE

Senator PERCY. And what, outside of representations, could have been done to put pressure on under the circumstances?

Mr. QUIGLEY. Well, I felt that the United States could get a high emissary ambassador, not an official ambassador, but an emissary of the President down with Mr. Korry to meet with Allende and discuss this thing from that point of view. That is what would happen—

Senator PERCY. Raise it to a higher level.

Mr. QUIGLEY. That is true.

Senator PERCY. You felt that Mr. Korry, Ambassador Korry did not have the clout with the existing government to get action. Are you also saying he did not have a clear cut directive to apply that kind of pressure?



Mr. QUIGLEY. I think Ambassador Korry was doing everything he could in that respect, but I do have a personal feeling that he was not receiving the strong instructions from here to proceed with anything other than his normal ambassadorial duties down there.

Senator PERCY. In your judgment, was the sole source of his instructions the State Department and the Assistant Secretary for Latin American Affairs.

Mr. QUIGLEY. As far as I know.

Senator PERCY. You had no knowledge that there was a direct line that the Ambassador might have had to the White House? After all, he was the personal representative of the President and under certain circumstances Ambassadors have been known to have direct access to the President, to Dr. Kissinger, and the National Security Council.

Mr. QUIGLEY. I have no knowledge of that.

Mr. LEVINSON. Just two additional questions, Mr. Quigley. With respect to the meeting with Secretary of State Rogers, who initiated that meeting in October 1971.

#### STATE DEPARTMENT INITIATED MEETING

Mr. QUIGLEY. I was called by Charlie Meyer, Undersecretary, and requested to attend that meeting, and I really felt that the meeting had some value. In other words, Secretary Rogers had just previously, a very short time, maybe a week or 10 days before, made a reasonably strong statement, and when he explained to me the meeting he had with Almeyda, I thought he was taking a very satisfactory position. But it was too late for Anaconda at that stage of the game.

#### SEQUENCE OF EXPROPRIATION ACTIONS

Mr. LEVINSON. All right, the other question I had was just to put everything in time sequence. The expropriation legislation passed July 16, 1971?

Mr. QUIGLEY. Yes.

Mr. LEVINSON. The special tribunal which determined the excess profits, their ruling came in October of 1971; is that correct?

Mr. QUIGLEY. Well, the special tribunal was established by the constitutional amendment but the excess profits determination was the private determination by President Allende himself.

Mr. LEVINSON. That was in October 1971?

Mr. QUIGLEY. And at that time we contested in the special tribunal the right of President Allende to make that determination.

The constitutional amendment established a procedural device by which the Comptroller General of Chile was charged with the determination of the compensation, and President Allende then was entitled by the constitutional amendment to instruct the comptroller general as to the amount of excess profits to be deducted from the book value of the companies.

In addition, the Comptroller General was required to determine the properties that were not useful to the operation, and Allende was also authorized to determine debts of the companies that had not been usefully employed in the business. There was a whole procedural device by which this special tribunal would ultimately make a determina-

tion of the compensation that was to be paid, but there was to be to them by the Comptroller General his determination as a result of his investigation of the companies.

Mr. LEVINSON. Yes. Now but this determination took place in October of 1971; is that correct?

Mr. QUIGLEY. Yes; it took place over a period of time.

Mr. LEVINSON. So, therefore, from the time that Allende was elected and inaugurated in November 1970 until this determination took place in October of 1971, nearly a year had elapsed.

Now, I take it from the documents and from Mr. Mecham's letter and from everything you have said, that the concern essentially was to put pressure on Allende to come to a determination which was satisfactory to you.

#### ALLENDE ADVISED TO COMPENSATE COMPANIES

Now, I would like to refer you to a letter from a Mr. Byrne to you dated October 9, 1970, and paragraph 6 of that letter relates that the U.S. Ambassador stated that Fidel Castro has advised Allende of the following:

Do not break with the U.S.

Continue to sell your exports in the dollar area.

Do not lose your technical personnel.

Do not get locked in by Russia; leave yourself flexible.

My question is this: In the course of this year that transpired between Allende's inauguration and this determination of the excess profits that took place in October of 1971, did you or anyone else in the company ever propose to the U.S. Government an alternative of seeking to convince Allende that it was in his own best interests to continue to have access to international lending institutions and as part of that attempt to convince him to let him have access in this period to loans from these institutions so that he and his people could come to a determination to see the value of those loans to their development effort. Is the question clear?

Mr. QUIGLEY. Yes. Yes, we did. I had meetings with representatives of the Allende government in the early part of 1971 and my whole attempt at those meetings was to convince them that they should make a positive statement that they intended to pay fair compensation and that they should do everything they could to maintain themselves in the international financial community.

#### RESERVATIONS EXPRESSED ABOUT LOANS TO CHILE

Mr. LEVINSON. But Mr. Mecham at the same time was expressing reservations to Mr. Nachmanoff about Chile receiving two loans for higher university education. So my question is simply whether it might not have been more fruitful to allow Allende to have access to loans from the international institutions so that he and his government could see the value of such loans to their development effort rather than cutting them off and using external economic pressure to convince them that they should settle on your terms. In his political context, is not the most likely result for him to react against such external pressure?

Mr. QUIGLEY. Well, I think you have to put this in the proper context. In other words, our idea was that if the U.S. Government made the proper indications to Allende of the folly of the type of process that he was following, which was in effect confiscation, that it would be to his disadvantage. But, at the same time, we felt the way to do that was to indicate to him that the United States was not going to approve loans and things if he proceeded with confiscation. The idea being that if you go along blithely approving loans without any indication that this is not going to be the result, I do not know where you come out in that.

Mr. LEVINSON. So there was no carrot to go with the stick, essentially?

Mr. QUIGLEY. That is right.

Mr. LEVINSON. That is all, Mr. Chairman. I have nothing else.

#### RIGHT OF COMPANIES TO PROTECT INVESTMENTS

Senator PERCY. Mr. Quigley, I would like to say that I feel an American company has every right to try to protect its investment as best it can. Not only American stockholders but stockholders all over the world have entrusted their funds to you and you should do all you can to protect them, but it must be consistent with American foreign policy. I think an American corporation and its executives, just as union leaders, can attempt to influence Government by expressing their own point of view and sharing their particular expertise. But I think we want to be certain that this is done on the basis of an exchange of ideas and no undue pressure, and we want to make absolutely certain that political contributions do not play a role in influencing American policy. I am saying this regardless of administration.

#### POLITICAL CONTRIBUTIONS

So, just for the record, I would like to ask you the following question. Does Anaconda as a company, or its executives, participate in making contributions to political candidates or political parties in Chile where it did business?

Mr. QUIGLEY. To my knowledge, we have never made a contribution to a candidate in his campaign in Chile.

Now we have contributed regularly over—ever since I have been in position to know and in control of the situation, which goes back to 1959, we have regularly contributed to local Chilean organizations that were dedicated to the continuity of the democratic process, in the promotion of the free enterprise system, but not—this has been in election years and it has been in nonelection years. It has been a regular program we have always followed in support of the industrial community in Chile.

Senator PERCY. Mr. Quigley, are you familiar with the German foundation called the Institute for Social Research?

Mr. QUIGLEY. No, I am not.

Senator PERCY. You are not.

Do you have any knowledge as to whether Anaconda or any of its executives have made contributions of funds to the Institute for Social Research?

Mr. QUIGLEY. I am sure we have not.

Senator PERCY. I ask that question simply because of information we have that this may have been used as a conduit for contributions for political causes.

Because political contributions now are publicly reported and must be, have the executives of Anaconda contributed to political candidates or political parties during the period of concern to these hearings—1970, 1971, 1972?

Mr. QUIGLEY. Are you talking about United States, now?

Senator PERCY. Yes, the United States.

Mr. QUIGLEY. Yes, we as individuals, I contribute to support candidates that I am in favor of and I know our chairman of the board does and several of the top executives do. We do that as a regular thing but we do not contribute as a company.

Senator PERCY. Could you give us a list—either now or for the record—of all Anaconda executives who have made contributions?

Mr. QUIGLEY. Yes, I would be glad to.

[See Appendix I, p. 541.]

Senator PERCY. In your judgment, do these constitute large, medium or relatively modest contributions?

Mr. QUIGLEY. I would say relatively modest. In my own case, I know what I contribute, I contributed about \$1,800.

Senator PERCY. And that would be total?

Mr. QUIGLEY. Yes.

Senator PERCY. To what, several candidates?

Mr. QUIGLEY. To five or six specific candidates.

Senator PERCY. And you would not then consider that such contribution would unduly influence or enable you to unduly influence? If it would, the price has gone down. [Laughter.]

From your own experience, do you feel that political participation by company executives enable them to have access that they might not have otherwise?

Mr. QUIGLEY. I do not think so; no, I really do not.

Senator PERCY. From your own personal experience that is not true?

I have no further questions. Thank you, Mr. Quigley and Mr. Mecham, for being here with us this morning.

We will now call Ambassador Korry.

Ambassador Korry, we welcome you this morning. Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KORRY. I do, sir.

Senator PERCY. Chief counsel will go right ahead.

Mr. LEVINSON. Mr. Ambassador, Mr. McCone in his testimony stated that Mr. Helms informed him in June or July of 1970, that nothing of consequence would be done by the CIA to intervene. Let me back up for a minute.

For the record, would you please state your full name and address?

**TESTIMONY OF EDWARD MALCOLM KORRY, FORMER U.S.  
AMBASSADOR TO CHILE**

Mr. KORRY. Edward Malcolm Korry, 4412 Boxwood Road, Montgomery County, Md. I do have an opening statement, if I may.

Mr. LEVINSON. I am sorry—

Mr. KORRY. It was suggested that I do—

Mr. LEVINSON. I am sorry but, I think, Mr. Chairman, we will have to recommend that it be submitted for the record since we did not receive it 24 hours in advance.

Senator PERCY. How long is the statement?

Mr. KORRY. Five minutes, and I submitted it to the counsel 5 months ago.

Senator PERCY. Were you aware of the committee ruling?

Mr. KORRY. No, I was not.

Senator PERCY. Statements must be submitted 24 hours ahead.

Mr. KORRY. No; because I had submitted it, as I say, in November.

Senator PERCY. As a courtesy to our witness, the Chair will permit the witness to go right ahead for 5 minutes.

Mr. KORRY. Thank you.

STATEMENT OF EDWARD KORRY

I welcome this opportunity because I have not written a word for publication about Chile or my 4 full years there. I have not made a public utterance until now on my Chilean experience. I have refused to see just about every Chilean who has sought to see me since my return to the United States in 1971, long before the March 1972 publication of the so-called ITT documents.

I have corresponded with no Chilean, nor with anyone else about Chile.

I have kept silent and distant for only one reason, to permit my successor the serenity of knowing your predecessor is not saying anything or doing anything that might be misinterpreted and thus end the chances of resolving extremely complex problems that impair our relations with Chile. The same concern that U.S.-Chilean relations might suffer, was invoked to persuade me not to release a statement I had prepared immediately after the publication in March of 1972, by Jack Anderson, of the so-called ITT documents. Although some of it has been overtaken by events, I ask your indulgence if I now read it into the record and submit to you a photocopy of the original as corrected by me at that time and as checked out then by the Department of State.

STATEMENT OF MARCH 23, 1972

In view of published reports concerning my attitudes and actions while serving as U.S. Ambassador to Chile, particularly in the 1970 period prior to, during, and following the election of Dr. Allende as President of Chile, it is of value to restate now the most pertinent of the judgments and actions that marked the Embassy's behavior,

within, needless to say, the specific guidelines laid down by Washington. During the past 48 hours, I have checked as carefully as possible to confirm my recollection of these events that were, in fact, well known in most instances at the time to a significant number of knowledgeable people in Chile and the United States.

#### ADVICE TO U.S. FIRMS IN CHILE

1. In my first meeting with representatives of all the major U.S. firms in Chile within a few days of the September 4, 1970, Presidential elections, I advised them strongly to:

A. Eschew any activity that could be interpreted as political.

B. Avoid discussions involving the internal Chile political future no matter how tendentious the circumstances.

C. Seek to maintain normal production and normal activities at their firms to the maximum extent possible.

If I may interpolate here, September 1970, according to the official Chilean production figures, was the highest month of copper production in the entire year.

D. Prepare for the possibility of nationalization or state intervention so that there would be complete records available to their home offices.

#### ONE COMPANY CALLS FOR OPPOSITION TO ALLENDE

Only one of the several dozen Americans present challenged this view and sought to read a prepared statement calling for opposition to Dr. Allende's election in late October by the Congress. I cut him short and forbade him to use U.S. Government premises for such inappropriate remarks. He was supported by no one else present. No American businessman in Chile ever involved the U.S. Embassy in any effort to interrupt the constitutional process that led to the election of Dr. Allende by the Chilean Congress October 24, following his victory at the polls September 4.

#### VIEW OF CHILEAN MILITARY

2. It was my unaltered view throughout my 4 years in Chile that the Chilean military was an apolitical, strictly professional body that would not intervene in the political process unless there were serious violations of the Constitution, a possibility which, as I stated often, I did not anticipate. I said repeatedly to interviewers and to Washington agencies, that the Chilean military would not abandon its strict constitutional interpretation of its role. At no time during my tenure were the Chilean military encouraged by any American representing the U.S. Government to depart from that policy.

#### REDUCE U.S. CONTACTS WITH MILITARY

3. On the contrary, because of my conviction that in the overheated political climate, normal U.S. activities might be falsely interpreted, I issued instructions weeks prior to the Presidential election to all U.S.

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Government representatives to reduce their contacts with the Chilean military to the essential minimum. I told the Frei government weeks before the voting that, if they wished, I was ready to bar all U.S. military travel to Chile and to take steps to dissuade American tourist travel. When these offers were rejected as unnecessary, I added that in any case I assumed personal responsibility for the actions of every official American in Chile until the new President assumed office and the political situation became normal.

4. I informed both the outgoing Frei and the incoming Allende governments—as I had on many earlier occasions—that no U.S. Government representatives had ever had direct or indirect contact with General Viaux or any of his family or any of his political lieutenants during my 4 years in Chile. I had specifically prohibited such contacts upon hearing Viaux' name for the first time in 1969 and upon learning of his ambitions at that time. To this day, it is my belief that no such contact occurred.

#### AVOID CONTACT WITH FAR RIGHT

5. I instructed all representatives of the U.S. Government in Chile to take particular precautions in the period immediately prior to and following the Presidential election to avoid contacts with known militants of extreme right groups that might be seeking to upset the constitutional process, or with extreme leftist provocateurs. This guidance was also followed by my associates in Chile.

#### PREDICTED ALLENDE VICTORY

6. My analysis of prevalent conditions in Chile following the September 4, 1970, vote was that Dr. Allende would accede to the presidency unless, as was then debated in the press, the Congress were to block him by their constitutional right to designate another. Such a development would occur. I stated then, if the lame duck administration of President Frei were to persuade its Christian Democratic Party to engage in a constitutional maneuver to elect the runner-up in the election in order to provoke new presidential elections. I concluded that such an eventuality was quite slim and as time passed in September, I said this one theoretical development had become very remote.

#### RARE MEETING WITH FREI

7. During the period September 4 to October 24, 1970, I saw President Frei only once—aside from a brief greeting at a municipal theater function—and my contacts with his administration were fewer by far than at any other period of my tenure. This reduction in official contacts applied to all elements of the Embassy. It was based on my feeling that, given the political atmosphere, it was the most prudent and realistic of all alternatives. The one meeting I had with President Frei occurred September 12 at Vina del Mar when he invited our Assistant Secretary for Cultural Affairs to a chat that preceded a luncheon he offered for all delegates to an OAS education meeting. Since I arrived late from Santiago for this meeting, I was there for about 30 minutes and my role was confined to that of occasional translator.

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## CONVINCED "POPULAR UNITY" PROGRAM CARRIED THROUGH

8. I reported regularly to Washington my conviction that an Allende government would seek to implement the campaign program of the "Popular Unity" coalition to the letter. Insofar as official relations were concerned, I said this adherence would inter alia signify the nationalization of most American companies, opposition to most U.S. policies and renegotiation of the large debt to U.S. entities. I reported, too, my view that Chile, because of its special traditions and traits, was the one country where one could conceive of a peaceful Socialist "revolution" being implemented and where nonetheless the irreversible political structure predicted by the Chilean Communist Party would be the result.

[End March 1972 statement.]

Now, to that, if I may just add five categorical statements about the ITT documents.

Senator PERCY. Are they such that you can insert them in the record, Ambassador Korry?

Mr. KORRY. Beg pardon?

Senator PERCY. Can you just put them in the record?

Mr. KORRY. I do not have them in form to do so. I could, but it might help the hearing to state them now.

Senator PERCY. How long would it take?

Mr. KORRY. A minute.

Senator PERCY. Go right ahead.

## STATEMENTS ABOUT ITT DOCUMENTS

Mr. KORRY. I had never heard of any ITT offer to the U.S. Government for any purpose until I read the so-called Anderson documents and the headlines last week.

2. I never heard of any meetings between ITT representatives and U.S. Government officials in Washington of the kind reported in the documents until I saw them following their distribution by Anderson and by your counsel.

3. I had a reputation for reporting very thoroughly, yet I never referred to nor mentioned, to the best of my recollection, or to the knowledge of U.S. officials I have since consulted, either Mr. Hendrix or Mr. Berrellez in any communication of any kind. I did not because nothing of significance ever transpired in our very few conversations, and that applies to the Embassy as a whole insofar as I was and am aware.

4. I refused to see Mr. Berrellez or Mr. Hendrix for many weeks after mid-September 1971, because of a matter not directly bearing on this case, but which I explained in detail to your staff five months ago and which I trust has been verified. I mention the matter here because of the date mid-September 1970—mid-September 1970—because the disagreement stemmed from my having requested Mr. Berrellez to keep all ITT executives out of Chile during the delicate postelection period, and because it may help to explain some of their subsequent comments in their communications later that year.

5. I never sought, discussed, trolled for a job with ITT or implied or inferred it to anyone. I initiated no contacts with ITT and in the period after my return to the United States until today, including the



5 months before the Anderson publications, had no private meetings or other contacts with anyone representing ITT.

There is much on your mind, I know, sir, and I thank you for that opportunity.

Senator PERCY. Ambassador Korry, do you have additional copies of your comment available?

Mr. KORRY. Only the additional one that I have put in the record.

Senator PERCY. I will ask them that copies be made available to members of the committee prior to our taking up the statement, so it can be taken into account.

This subcommittee will recess until 2:30.

[Whereupon, at 12:15 p.m., the subcommittee was recessed, to reconvene at 2:30 p.m., this day.]

#### AFTERNOON SESSION

Senator PERCY. In the absence of the chairman, I will open this meeting.

Ambassador Korry, we thank you for your statement this morning. Copies are being distributed to all members of the committee.

The cable of September 17, 1970, from Hendrix and Berrellez of ITT to Gerrity of ITT in New York, in the second paragraph, said that "The big push has begun in Chile" to implement the so-called Alessandri formula.

Would you describe the details of the "big push" and your part in it?

#### TESTIMONY OF EDWARD MALCOLM KORRY—Resumed

##### NO U.S. GOVERNMENT SUPPORT FOR ANY CHILEAN CANDIDATE

Mr. KORRY. Senator, let me start by saying that it is obvious from the historical record that we did not act in any manner in support of any big push or anything approximating it.

The United States gave no support to any electoral candidate. I just want to give you a flavor of some of the things that happened in a country that is as highly politicized and sophisticated as Chile.

Perhaps the most important and visible export of that country is the expertise of its intellectuals, its economists and other trained personnel. When applied to the political sphere, this quality gets to be very tricky indeed.

All three camps, three political camps, approached me directly for funds, as did other people, for the electoral campaign. The United States never responded. The United States maintained the most total hands-off military policy from 1969 to 1971 that is conceivable to anybody anywhere on this earth.

The United States did not get involved in the so-called Alessandri formula. The United States did not seek to pressure, subvert, influence, a single member of the Chilean Congress at any time in my entire 4 years.

All my instructions came from State, and there was no hard line ever applied to Chile.

Senator PERCY. Mr. Ambassador, did you on your own initiative, in any way, participate in or associate yourself with the Alessandri formula?

Mr. KORRY. Associate myself in the sense of being for it personally, yes; in the sense of doing anything about it, no.

Let me—

#### KORRY IN FAVOR OF ALESSANDRI FORMULA

Senator PERCY. Did you indicate to representatives of American industry with whom you regularly met that you were in sympathy with the Alessandri formula?

Mr. KORRY. Yes, sir.

Senator PERCY. You did, and did you indicate to them that you had taken any measures to get the State Department to adopt and support the Alessandri formula?

Mr. KORRY. On the contrary, I read you from my statement what I said to the representatives of the American business community.

About this Alessandri formula, one, it is Chilean, it was Chilean-conceived. It is constitutional; the drafters of the Chilean Constitution wrote it in because they wanted this choice. It is not sleazy, a surreptitious thing. It was openly debated and discussed in any and all forms of Chilean communication for many weeks.

Do remember, as far as I am concerned, that there has to be a very careful distinction made between analysis and action. I think one of the wisest things ever said about political wisdom is that it is the business of making relevant distinctions, and this is a distinction that I think is particular relevant and has to be made here.

You have to understand, sir, what goes on in a place like Chile. When I arrived in Chile on October 12, 1967, there were machine guns set up by the carabineros of Chile all around my house, and for every day, without exception, for the entire 4 years until I departed October 12, 1971, my wife, my children and I received threats; that is one point.

Two, there was a personal campaign of vilification against me, against all the representatives of the United States, of two administrations, unceasing—

Senator PERCY. If we might get back to the Alessandri formula.

Mr. KORRY. Well, I think—

#### DISCUSSED ALESSANDRI FORMULA WITH CHILEANS

Senator PERCY. Did you discuss the Alessandri formula with any Chilean politicians?

Mr. KORRY. Only when they raised it with me.

Senator PERCY. And when did they raise it and who raised it?

Mr. KORRY. Well, I think it would be fair to say, since I do not want to say anything in this room that could possibly do any harm either to Chilean-United States relations or to any Chilean in Chile or elsewhere, that it would be fair to say that the number of contacts I had from the period September 4 to October 24, I repeat, were the most minimal that I ever had in the entire time I was in Chile; the Chilean politicians who raised it with me were very few in number, and asked not for United States support because there was no question that they needed to know where our sympathies were, none. They raised it as a matter of information.

The first time I heard about it was from a Chilean politician.

Senator PERCY. Did you discuss it with President Frei?

Mr. KORRY. No.

Senator PERCY. Maybe I should rephrase it. Did he ever raise the issue with you so that you could discuss it with him?

Mr. KORRY. No. The one time, as I said to you, the one time that I saw President Frei, I served, aside from a meeting in front of many people and surrounded by all sorts of people on the balcony of the municipal theater in Santiago, was when I served as translator at Vina del Mar for a meeting that did not touch that formula in any way as far as I can recollect.

Senator PERCY. Mr. Ambassador, any time you do get into an area where you could be more candid with this committee in executive session, under the rules of executive session, will you just simply so indicate. I have no desire to put you in a position where you are failing to be candid with us or in a position where you are doing what you would consider damage to the foreign policy of the United States. I will accept your simply stating "I would like to answer that question in executive session."

Mr. KORRY. Fine.

#### REGULAR MEETINGS WITH U.S. BUSINESSMEN

Senator PERCY. I would like to know—if you believed in the Alessandri formula, and you met regularly with the American business community as a part of your job—how you replied to them when they kept pressing you on this? Did they ask why there was no change in American policy in accordance with your recommendations—you being the man on the spot?

Mr. KORRY. One, the meetings I had with the American business community, as such, were never more than every 2 weeks, and it was only for a very short period that it was more regularly than once a month.

Senator PERCY. But they were organized for the purpose essentially of discussing this common problem?

Mr. KORRY. No, no.

Senator PERCY. The expropriation?

Mr. KORRY. No, no; they were regular meetings organized over a period of 4 years, they were a continuation of what my predecessor had been doing.

Senator PERCY. So you held them regularly throughout the period that you served as Ambassador?

Mr. KORRY. That is right, that is right. And they were more frequently held in the period from September to October, but during which period I was gone for quite a bit of time myself, and I believe that there were not more than two or three in that entire period, so it would have been an increment of one as against the norm, I think.

Senator PERCY. Did this subject of the Alessandri formula come up in those meetings?

Mr. KORRY. Yes; but, secondly, let me say, sir, they did not talk to me. I briefed them on how I saw the Chilean situation at a given time.

Senator PERCY. It was not a one-way—

## NO PRESSURE FROM BUSINESSMEN

Mr. KORRY. Very little was said by them, very little ever. It was the purpose of the meetings to hear my briefings, and they deliberately excluded anybody who was not an American citizen by their choice, and their vote on this, exclusively, came up a couple of times during the earlier, more serene period.

Senator PERCY. You mean they were not putting pressure on you?

Mr. KORRY. Not in those meetings.

Senator PERCY. Why would they exclude you when they had no reticence in expressing their views very strongly to even higher authority?

Mr. KORRY. Well, I cannot answer for them, but let me venture some hypothetical answers.

One, there were a great many companies represented and, as I had told the assembled representatives of those companies in the first meeting right after the election, I was prepared to support them in correct and appropriate ways, in helping them to sort out their problems with the Chilean Government, according to their desires, but that they had to come to me; that I was not going to them. And if they had something they wanted to raise with me privately, because there were others present, to do so, and I was thinking of those companies who did not want, say, to prepare for nationalization but, on the contrary, wanted to prepare for expansion, if possible. There were some who decided to play it in a slightly different fashion. I am talking about—

## PRIVATE MEETINGS WITH COMPANY OFFICIALS

Senator PERCY. Were there some who asked for private meetings with you?

Mr. KORRY. Oh, yes, a large number.

Senator PERCY. Did you hold such meetings?

Mr. KORRY. Indeed.

Senator PERCY. With whom did you hold such meetings?

Mr. KORRY. You could name almost every company in Chile.

Senator PERCY. Generally they were with, that is, American companies in Chile?

Mr. KORRY. That is right.

Senator PERCY. Could you name some of those with whom you did have meetings of substance on this subject?

Mr. KORRY. Not—if we are talking about the one subject of the Alessandri formula, that so-called formula?

Senator PERCY. Right.

Mr. KORRY. Oh, no, I would say that—I do not have any recollection because there was no concerted effort either on my part to sell them or on their part to sell me, and it would be just like playing roulette if I were to start naming them.

I would say that when they came to discuss matters with me privately, it was almost exclusively for the purpose of negotiating their particular problem. It was the copper nationalization, it was ITT's concern with their properties, it was the Bank of America's, the National City Bank's concern with their nationalization potential, and how to negotiate. It was Braniff Airline and its labor problems, whom

they should see. I arranged for them to get in to see the labor authorities.

I could go on and on, it is a boring catalog.

Senator PERCY. If you did support—

Mr. KORRY. I did not support, sir.

Senator PERCY. Individually, the Alessandri formula; that is, you believed in it, you felt that it should be pursued?

Mr. KORRY. No, my sympathies would be with the outcome. I did not pursue support, no.

#### RECOMMENDATIONS TO STATE DEPARTMENT

Senator PERCY. Well, if you were clear that the objective and the outcome were something that you wanted, could you describe to us what action you took with the Department of State to get them to have their policy to coincide with your own feeling as to what should be done?

Mr. KORRY. My job as Ambassador is to report, to analyze as best I could see.

Senator PERCY. I am sorry, could you repeat that?

Mr. KORRY. I say, my job as Ambassador was to report, to analyze, to determine, as best I could, what was going to happen in the future. For a variety of reasons—and I will be glad to detail them in executive session—I was absolutely convinced that the government of Dr. Allende would carry out its program as they interpreted it and as it was articulated to us on many occasions by people who had, and later proved to have had, the trust of this actual government.

Now, I felt, and feel today, that one of my major jobs was to prevent any intervention by anybody in Chile, that is, not to involve the United States in Chile. A military involvement or playing around with the military in any way was a tremendous preoccupation for me.

On the other hand, U.S. policy had been clearly stated by the Congress on repeated occasions through the Alliance for Progress, through the appropriations for AID, through many other means that you have of expressing the will of the American people. I think that what we had achieved in Chile over a period of 7 years or 6 years was a great deal. I think the achievements of the Frei regime in support of the Alliance for Progress policy was not something necessarily to be sneered at and, if I may take time, I will just say what some of those achievements are.

Senator PERCY. I would rather pick up right there because I think you have—

Mr. KORRY. All right.

#### "GREEN LIGHT" CABLE FROM STATE DEPARTMENT

Senator PERCY. You have given us a very valuable statement of policy, and I concur that the investments we had made in dollars, energy, and effort are very large, compared with even these very sizable American investments. So we have to take everything into account, and I am concerned that in the fifth paragraph of the much-discussed cable of September 17, 1970, it is stated that you "finally received a message from the State Department giving you the green light to

move in the name of President Nixon." It said you "had received maximum authority to do all possible—short of a Dominican Republic type action—to keep Allende from taking power."

Did you, in fact, receive such a message late Tuesday night, September 15, or at any time, a message that was fully reported to ITT by their local representatives 2 days later, a top secret document? Did it in fact come in?

Mr. KORRY. I got no communications at any time from anybody except the Department of State.

Senator PERCY. Well then, could you tell us what you got from the Department of State?

Mr. KORRY. No, that, sir, I could certainly not do. And I am not trying to invoke executive privilege, since that is not my right in the first place. But I feel very strongly about the lines of communications between institutions. It has nothing to do with any partisan approach. It has to do with the philosophical approach on my part.

I took the oath that I would not reveal these things. I gave my undiluted loyalty to three Presidents, and in return, I asked for only one thing, the right to be able to say what I had to say to our government freely, independently, without any political partisanship, and to be read. The Government, the three administrations abided by their end of the bargain; I am not about to break mine.

Let me just add, if I may, a postscript. I was fired as a newspaperman in 1954 for a period of 1 week for refusing to reveal sources to my own publisher because I said it had to do with McCarthy.

Senator PERCY. As an author of a piece of legislation protecting newsmen, I agree that you are not here as a book publisher.

Mr. KORRY. No.

Senator PERCY. Nor as a newspaperman, fired though you may have been. You are here as a former ambassador, testifying before the Foreign Relations Committee, and I think it is quite germane to our understanding of what happened that we now have some indication as to whether or not you, as the American Ambassador, did receive a message on the night of September 15 or any time thereabouts, that gave you a sense of direction for what should then be done in the Chilean situation.

Mr. KORRY. Senator, I think, in answering what we did not do. I answered the question quite clearly. There was no green light or anything approximating it.

Senator PERCY. Did you receive a message? In other words, do you know what they are talking about in this cable back to ITT executives?

Mr. KORRY. I received messages every day, a great number of them.

Senator PERCY. I do not mean USIA releases.

Mr. KORRY. I do not mean that. I mean every day.

Senator PERCY. I am talking about a message that you had apparently been awaiting according to these men reporting back to their company.

Mr. KORRY. If I may comment—

Senator PERCY. And this was a message that you would not forget or mix up with a lot of others. I am sure the classification alone would have enabled it to be singled out. I am just trying to ascertain whether they are totally wrong or whether they really knew what was going on and did get an indication that there was a change of policy.

Mr. KORRY. I am saying—a change of policy? No.

Senator PERCY. Let's go back, just keep it real simple.

Did any message come in anywhere in the ball park that would give you a feeling that there was something of importance from the State Department dealing with policy at the highest levels?

#### HENDRIX AND BERRELLEZ NOT LEGITIMATE REPORTERS

Mr. KORRY. I got several such messages at several different times and I persist in questioning the appellation "reporter" or the label "reporter" for these people. The first thing they say about me in my efficiency report is that they met me, Mr. Hendrix.

Mr. LEVINSON. That really is not very germane.

Mr. KORRY. That really is germane, excuse me. The first thing he says about me is he met me while he was a newspaperman and when I arrived in Chile as ambassador. And yet in his testimony before you, sir, he said that he went to work for ITT in 1967, September. I did not arrive in Chile until October 1967. So a lot of these things that are said in here, add up to a wilderness of single instances.

Senator PERCY. I have never even bothered to point out the inconsistency when they referred to him as Chuck Meyer—

Mr. KORRY. That is right.

Senator PERCY [continuing]. When he has been known as Charlie Meyer as long as I have known him, for two decades.

Were these messages of importance?

#### WITNESS REFUSES TO DISCUSS OFFICIAL COMMUNICATIONS

Mr. KORRY. There were messages of that importance and I would respectfully submit, if the State Department or executive branch wishes to make available any messages, that it is their prerogative, I do not feel that it is mine.

Senator PERCY. I want to give you every opportunity to respond as candidly as you can in one of two ways, either saying that you are going to refuse specifically to answer this question or simply indicate that you feel you should answer it in executive session.

Mr. KORRY. Well, sir—

Senator PERCY. One of two alternatives, I think, is a fair way for us to approach this. But I consider this cable a very, very important part of this whole case.

Mr. KORRY. Well, sir, I can only repeat, I think I have answered as candidly as I can in fairness to my own conscience, and I will continue to be as candid as I can possibly be with you and your colleagues.

Senator PERCY. I am waiting with expectation.

Mr. KORRY. But I cannot in all good conscience get into the details of cables that were sent to me; it is contrary to the entire moral contract that I entered into with each of the three Presidents. If I got into those cables, I would be compelled to get into messages that go back far before that, to show that there is a continuity of U.S. policy, and I do not intend to do that.

Senator PERCY. Let me approach it this way: Did you tell anyone else, if you will not tell this committee of the U.S. Senate that you received such a message? Did you tell anyone else?

Mr. KORRY. Not that I am aware of.

Senator PERCY. That you had received such a message?

Mr. KORRY. If there were such a message, there would be other people who were aware of it within my Embassy.

Senator PERCY. Do you have reason to believe that someone else in the Embassy saw this message and did, in fact tell someone else?

Mr. KORRY. I have no reason to believe that anybody in my Embassy ever told anybody anything about any message.

Senator PERCY. When you read the cable, as you have no doubt read it with great interest—as we did—did you recognize any part of it as having come from messages received from the State Department.

#### REPORT OF CABLE IS ERRONEOUS

Mr. KORRY. That cable is totally erroneous. I mean what they are asserting there is just erroneous. I have said what the United States did. It is obvious from the historical record what we did, therefore it cannot be.

Senator PERCY. I would like to ask our counsel to ask a pertinent question at this point.

Mr. LEVINSON. Mr. Korry, let's leave aside the question of cable or not. Did you receive a communication of any sort giving you instructions to do all that you could to stop Allende from being elected president by the Chilean Congress?

Mr. KORRY. In answer to that specific question, my recollection of all my instructions is that, no; I did not receive that kind of a message.

Mr. LEVINSON. Can you tell us what your instructions were?

Mr. KORRY. I cannot tell you, for the reasons I have just stated, what my instructions were. You will have an opportunity to speak to the Department of State, to the executive branch, and to others. They have the legal authority to do that.

Mr. LEVINSON. Do you contend that this committee does not have jurisdiction to pose that question to you?

Mr. KORRY. No. I want to be very clear about that. I am not falling back on any legal rights. I am speaking entirely of my own personal perception of my moral responsibility to them, and to what I undertook to do when I was sworn in as Ambassador on two different occasions.

Now that is all I am saying; that you cannot—I cannot in good conscience wreck an institutional process for any reason that I can think of here.

Mr. LEVINSON. Perhaps we could get at this in a different way, if we put this question in some perspective in terms of the development of U.S. policy in this period with respect to the 1970 Chilean election.

Let me refer to previous testimony, Mr. Ambassador.

Mr. McCone, in his testimony, stated that Mr. Helms informed him in June or July 1970 that nothing of consequence would be done by the CIA to intervene in the Chilean presidential election. However, he did not say nothing at all would be done.

#### U.S. POLICY IN CHILE BEFORE SEPTEMBER 4

So in order to clarify this point, I am going to ask you a series of questions about U.S. Government activity in Chile in the pre-September 4 period.



First, were you advised that in late June or early July 1970 the interdepartmental group which controls covert operations of the CIA, which Mr. McCone referred to in his testimony, known as the 40 Committee, had met to discuss what, if any, actions the CIA should take to prevent the election of Allende? Were you advised that such a meeting took place?

Mr. KORRY. Well, now, we are getting into a different area. When you ask me about any activities of the CIA there, I do know what my legal obligations are, and I have no authority of any kind to answer those questions.

Mr. LEVINSON. I did not ask you what the CIA did. I asked you whether you were advised that an interdepartmental group had met to discuss that question. Were you advised that such an interdepartmental group to which Mr. McCone referred in his testimony had met in late June or July to discuss what, if anything, should be done to prevent Mr. Allende from being elected?

What were you advised?

Mr. KORRY. The answer to that first question is "Yes."

Mr. LEVINSON. Were you advised that a decision had been made by this group to authorize limited intervention involving an expenditure of approximately \$400,000 for covert propaganda purposes to oppose the Allende presidency?

Were you advised?

Mr. KORRY. Well, now I am into an area where I am forced to say I cannot reply to the question.

Mr. LEVINSON. Were you advised that a decision had been made?

Mr. KORRY. I cannot reply to the question. I am sorry.

Mr. LEVINSON. Do you refuse to reply to the question?

Mr. KORRY. No, I do not want to get into any intelligence matters or instructions; as far as my actions and my thoughts are concerned, anything of that nature, I do not wish to hide from you or the committee what I was responsible for. But as far as what you are asking about, it is the unique obligation of the Director of Central Intelligence to respond to, and I am not going to get into that area, and I—

Mr. LEVINSON. Did you inform the Assistant Secretary of State for Latin America, Mr. Charles Meyer, that you would not implement such a decision unless he advised you of his personal concurrence?

Mr. KORRY. I have just tried to explain, anything that has to do with activities that originated in funds from, or has anything to do with allegations concerning their origin with the Central Intelligence Agency, I am not going to reply to. I cannot. It is the unique obligation of the Central Intelligence Agency Director to reply to those questions.

Mr. LEVINSON. Do you deny that you sent a cable or a message to the Assistant Secretary of State stating that you would not implement such a decision unless you received his personal concurrence?

Mr. KORRY. I am saying that I am not—I cannot—get into the details of messages between officials of the executive branch.

#### CIA OPINION POLLS

Mr. LEVINSON. Had the Central Intelligence Agency been carrying out or commissioned a series of public opinion polls with respect to the Chilean presidential election?

Mr. KORRY. If it was the Central Intelligence Agency that you are alleging has done something, it is the Director of the Central Intelligence Agency that must respond.

Mr. LEVINSON. Did you receive polls? You were the Ambassador in Chile, presumably you were the ranking U.S. official. Did you receive polls showing that Alessandri was likely to win with approximately 40 percent of the vote?

Mr. KORRY. I can answer to that question. Yes, more than 40 percent of the vote.

Mr. LEVINSON. Did you caution against excessive reliance on these polls?

Mr. KORRY. I did.

Mr. LEVINSON. Were you concerned that whoever was taking these polls, at the instance of whatever entity within the U.S. Embassy was using a 1960 voting matrix and that this would distort the results?

Mr. KORRY. I did.

Mr. LEVINSON. Did you have information from other sources which indicated that the election would be much closer?

Mr. KORRY. I did.

Mr. LEVINSON. Was this information based at least in part on 1970 census data which showed a different voting matrix than the 1960 data?

Mr. KORRY. That is correct.

#### ASSESSMENT OF ALLENDE VICTORY

Mr. LEVINSON. Now, immediately after the September 4 popular election, in which Allende won a plurality, did you draft a message to Washington giving your assessment of the significance of the Allende victory?

Mr. KORRY. I did.

Mr. LEVINSON. Was it your opinion that the Allende government over a course of the 6-year period would mean the end of free elections in Chile?

Mr. KORRY. No. I put it in a different way. I will be glad to tell you.

Mr. LEVINSON. Would you state the way in which you perceived it?

Mr. KORRY. I said that over a course of 6 years there would be an irreversible political structure. That does not mean the end of elections. There are elections in a great many countries where the political structure is irreversible insofar as one can predict. I do not mean for the end of time, and I said this is the only place that I knew on earth where, by peaceful, legal means, this slow process could go according to the schedule that had been openly delineated by the Communist Party of Chile, the leader of the Communist Party of Chile, who said it would end in an irreversible political structure.

I agreed with his analysis; I agreed with the analysis of many other Marxists who described the Chilean situation.

Mr. LEVINSON. Did you list 10 reasons why you thought it would not be possible to stop this process?

Mr. KORRY. Yes.

Mr. LEVINSON. As best you can, will you reconstruct those 10 reasons?

Mr. KORRY. Yes, I have not looked at them, I have not looked at the official record, Mr. Chairman, so forgive me if they do not come out in chronological order.

But, No. 1, the powers of the presidency of Chile under the Constitution of Chile are probably unparalleled in the democratic world. Gil, who is probably the best authority on the subject of Chile among American academicians, has described it as a legal autocracy.

No. 2, the Chilean military has always been apolitical. It has a middle-class background rather than any great affinity for what some have described as oligarchical or plutocratic tendencies.

No. 3, the powers of the Congress of Chile are very limited.

No. 4, there was an enormous cushion of hard currency reserves that the Allende government found when it came into power, more than \$400 million, plus \$200 million in inventories.

No. 5, it had a salable product wanted in the whole world market, copper.

No. 6, it had geographic isolation from its neighbors because of the Andes on one side, the Pacific on the other side, the desert to the north and the Antarctic to the south.

No. 7, it was very distant from all of the major power centers of the world, be it China, the United States, Western Europe or Eastern Europe.

No. 8, it had the strongest Communist Party in the entire hemisphere and the oldest. It was founded in 1924, and if one reads a book written—I happened to bring along in case you wanted the detail, it is in Spanish—but it is Chile al Rojo or "Chile Going Red," and it is written by the political editor of *El Siglo*, the official newspaper of the Communist Party. He describes in great detail in this book how they got Castro to change his view as to the efficacy of the peaceful road in Chile to socialist revolution, how this party managed this whole process, how it managed the division of the opposition so that there would be two candidates instead of the one for all practical purposes that ran against Allende as in the 1964 election.

He describes how Mr. Tomic, the party candidate for the Christian Democrats in this last election, was led to believe that he might eventually be the candidate for the Popular Unity, but committed himself largely through their manipulations into maintaining his candidacy when he did not get their support.

No. 9, Chile has a very lengthy record of acceptance of state interventions in economic affairs. There was 50 percent of total investments in Chile from public sources in the last year of the Frei administration. It was a very large and powerful bureaucracy.

And, finally, No. 10, Chile has two unique qualities as a country. One is what they call *convivencia*, which McCall's magazine would have described as "togetherness" and what academics would have described as confraternity. It is the desire to avoid violence at any cost, to reconcile differences through peaceful means. This is a very laudable and remarkable quality that gave a certain *douceur*, a sweetness, to Chilean life despite the social stratifications and differences.

Senator PERCY. Mr. Ambassador, thank you. I have a few questions left and will then turn the chair over to Senator Case.

#### COLLABORATION WITH ITT REPRESENTATIVES

Were you at any time working in collaboration with Mr. Hendrix and Mr. Berrellez or any other ITT representatives?

Mr. KORRY. No.

Senator PERCY. Can you describe to us how you feel Mr. Hendrix and/or Berrellez knew about a message of September 15 or any message sent from the State Department to the United States Embassy?

Mr. KORRY. I think——

Senator PERCY. Mr. Hendrix, by the way, has testified as to how he did get this information.

Mr. KORRY. That is right.

Well, he got it in such garbled form and he stretched it so far, according to his testimony, that I think it is speculation as to what he was up to and what he did. It would be based largely on idle speculation, it would be idle speculation by me. I do not know what——

Senator PERCY. You no doubt have thought a lot about this. What conclusion did you come to as to how they got this information, garbled as it might be?

Mr. KORRY. I would say that there were a great many Chileans who wanted the United States to do their bidding, a great many, and who were very active in Washington, who tried to manipulate the pressures on me in Chile. And in certain instances during those 4 years, they were very successful, indeed, on all sides of the fence.

Senator PERCY. Do you feel it to be improper for an American corporation to attempt to get, or actually to get, highly classified information out of the American Embassy, regardless of what means they might use to get it?

Mr. KORRY. Yes, I would think it is improper, period.

Senator PERCY. Was it contrary to your policy that such highly classified material should be shared with American corporation representatives, even though you knew that those American corporations had, in their terms, a very sizable investment in the country?

Mr. KORRY. Well, there again, sir, if I made a blanket rule, it would tend to agree with the thrust of your question. But there are exceptions to that at times. Since their interests are at stake, it would be irresponsible not to share with them knowledge that you had, and I am thinking now of precise instances long before Dr. Allende became President of Chile.

There were other negotiations that took place in Chile in which the companies simply had to know information; it was classified so far as others were concerned, but they simply had to know it so that they did not make enormous errors.

Senator PERCY. But you have testified that you did not work in collaboration——

Mr. KORRY. No.

Senator PERCY [continuing]. With any executives of ITT.

Mr. KORRY. That is correct.

Senator PERCY. Do you feel a security violation was involved here?

Mr. KORRY. I would doubt it.

Senator PERCY. Can you tell us with whom in Santiago you might have shared information of this type that came in from Washington?

Mr. KORRY. I want to reiterate that the information that we are talking about is their allegation, that I have not in any way confirmed that any "green light" message came in. Highly classified information was shared with four or five people in the Embassy.

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## MANEUVERING WITH CHILEAN POLITICIANS

Senator PERCY. The cable states that you maneuvered with the Christian Democrats, the Radical and National parties and other Chileans "without State authorization" and that you never let up on Frei. Is that correct?

Mr. KORRY. That is ludicrous.

Senator PERCY. Pardon?

Mr. KORRY. It is ludicrous.

Senator PERCY. Ludicrous? It is absolutely without foundation?

Mr. KORRY. Yes; it is absolutely without foundation.

President Frei, in a public gathering in the United States, in Ohio on the 12th of November 1971, at a U.S. policy in Latin America seminar at Dayton University, had the following exchange. And I will just give you an official U.S. report on it:

At one point during the question period, President Frei was asked if the United States Government had ever applied pressure on him or his government. His reply was very forceful and direct, "never".

He went on to say that he was very sensitive on the matter of relationships with the United States and would have had no hesitation in expressing himself vigorously should such circumstances have existed. He mentioned, for example, his vigorously stated opposition to the Dominican intervention. He then repeated that his relationship with the United States Government had been entirely free of any pressure.

To which I could add that other members of the Frei administration gratuitously, on a number of occasions, contrasted the behavior of the United States with that of other powers in this world no matter whether the interests were large or small.

Senator PERCY. I feel it is so important, Mr. Ambassador, to give you the opportunity to comment on the impressions that have been created because, after all some of these were public documents before we came into the picture, published by a prominent columnist, and they have been given additional public notice in this hearing room. And if someone does not say that they are fallacious, they will stand on the record with the presumption that they are correct.

## U.S. PRESSURE ON FREI

Hendrix and Berrellez stated that President Frei was being "prod-ded," and that is the word they used, prodded by the U.S. Government in favor of the Alessandri formula. Is this correct or not correct?

Mr. KORRY. It never occurred.

Senator PERCY. It never occurred, so it is incorrect.

During the contacts, limited as they were, that you had with President Frei in this period, did you have any reason to believe that he was amenable to the Alessandri formula? Did he encourage it in any way?

Mr. KORRY. I believe that we are getting into an area which I do not like for a different reason, and I will word it very carefully. My only inhibition in this is the effect on Chile now. Everything I say applies to the period when I was in Chile, I do not want to get into the area of current affairs in Chile, if I can avoid it. But, to the best of my recollection, President Frei undeviatingly adhered to a policy of democratic construction of his mandate, that is No. 1.

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Two, in my view, this so-called Alessandri formula had one enormous advantage to it. It put the monkey on the Chilean back and it took it off the American back.

If you contrast, say, military, and the pressures for intervention versus, say, the Alessandri formula——

Senator PERCY. Perhaps I should rephrase my question then. Were we trying to put the monkey on their back?

Mr. KORRY. That is right.

Senator PERCY. You were?

Mr. KORRY. Indeed. I mean, take it away from us and say, "It is your problem, you have got to decide your future. You know all your rights."

Senator PERCY. Were you prodding him?

Mr. KORRY. No, no. I go back to my answer, sir, to the previous question; we did not prod him.

Senator PERCY. That is what I wanted to be sure is stated on the record then.

Is it admitted, though, that without President Frei's participation, the Alessandri formula would not succeed and could not?

Mr. KORRY. Could not.

Senator PERCY. Did President Frei really support, in his heart at least, the Alessandri formula? Can you add any knowledge as to his feelings in the matter?

Mr. KORRY. I never discussed it, in that entire period with him.

#### SOVIET INVOLVEMENT IN CHILEAN ELECTION

Senator PERCY. In the same cable, it said that the strategy for an Allende victory in the congressional vote was being coordinated by the U.S.S.R. To your knowledge, was this true?

Mr. KORRY. I think it is nonsense.

Senator PERCY. It is nonsense, so it is not true.

Mr. KORRY. If I may, I will explain, I would be glad to add what I did think if you would like.

Senator PERCY. In Neal's memo to Merriam on October 15, he quotes you as discounting the Soviet role in Allende's election. That might be a chance for you to——

Mr. KORRY. If we may, is that the Neal memo——

Senator PERCY. Yes; do you have a number?

Mr. KORRY. Is that October 15, do you say, sir?

Senator PERCY. I am sorry. I am working from my notes and not from the document itself.

Mr. BLUM. October 15.

#### MEETING WITH NEAL OF ITT

Mr. KORRY. I would like to just say a couple of things about that memo.

Senator PERCY. Fine.

Mr. KORRY. It will dispose of a number of mythologies.

One, I was in Washington, as is obvious. I had arrived October 11 and I left on October 20, during which the ITT men were sending cables on many subjects according to these documents that they have.

One of them, one of their assertions, was that I had a rift with the State Department, et cetera. On October 15, at the precise moment that

Mr. Neal asked to see me. I was drafting against a deadline, at the request of the Assistant Secretary of State for Latin America. Mr. Charles Meyer, the United States, the State Department's position on the post-Allende policy.

I told Mr. Neal that, since I was very busy and really up against the gun, I could only see him very briefly. And I saw him because one of the things I was drafting had to do with what would be done about expropriation, what we would do about AID's guarantees and all the rest, and; perhaps because of my anxiety to get him out of there, I spoke in a shorthand language that led to what is a series of self-contradictions in his own reporting.

To me, frankly, this reporting is extraordinary. For the fact is that I do not know, whoever read it, what they could have deduced from it.

Now, I will go through it very briefly. He says at one point that I said Allende is a man of his word, et cetera, et cetera—at the very beginning—that I said that Allende would proceed slowly, which is certainly the view that I had expressed originally to the businessmen on September 6 or 7, whenever it was that I had the first meeting right after the elections.

#### NEAL ACCOUNT OF U.S. AID POLICY GARBLED

He talks about aid being stopped. The last AID loan to Chile was signed in October 1968, except for a \$2½ million student assistance loan which was never utilized by the Allende government. There were no more development loans, no more program loans. There was only pipeline, and at no time did we seek to stop all aid to Chile. We sought to change the flow of aid in one sense, to avoid inevitable embarrassment, and I had talks with, or through my principal officers, had talks with the Allende authorities on what we would stop automatically so as to avoid problems.

Secondly, he says that the—

Senator PERCY. He says there will be a denial by State that there ever has been a shutdown of aid. The program is always under review.

Mr. KORRY. All I have to say, Senator, is I recommended shortly after that the two Inter-American Bank Development loans that you heard about this morning. They went through, so it is nonsense on the face of it.

Now, next, he says the letters of credit were much greater than the amount in the pipeline. My recollection of it is that such an assertion is nonsense.

On military equipment he says that there is no leverage from aid, and he has just gotten through talking about aid being leverage, and if he says that we said "if we did not furnish aid, then the Russians will. The Ambassador thinks not." That is a garble, it is a total garble.

What I felt then and feel now was that a military that had most of its equipment and a good many of its relationships with the United States would not seek Russian aid. There is a big difference between his understanding and mine.

I repeat that, perhaps, my shorthandening these responses confused him. But there is no reason not to make that clear on the record now.

The Neal memo goes on to say that I intimidated, I planned a hard line and then goes on to say somewhere else that I said U.S. policy

will be an attempt to negotiate with the Allende government at every turn. I cannot understand the distinction that he is seeking to make there.

He talks about Felipe Herrera. What he has put down in that paper is what he said about Herrera, and asserts that I agreed with him. I agreed that the bank needed better administrative direction. I regard Felipe Herrera as a friend of mine, a man with whom I had an excellent relationship to the day I left Chile.

#### ALTERNATIVE U.S. POLICIES

Finally, he says there are several alternatives of action, the main ones being to provoke Chile, and so forth, to cause a rupture, and the other one, the softer line, is the one he says I am going to advocate; it is totally inconsistent with what they were getting from Berrellez and Hendrix, but I would say it is more accurate.

#### KORRY RECOMMENDS TAKING IT UP WITH THE WHITE HOUSE

Finally, on this Mr. Geneen business. When he asked what could be done now, I said I was out of it, that the Congress of Chile was going to be voting on October 24, that if he had anything to say it had to be said to the White House, not to me, because I was totally out of it at that point.

Now, that message that I said to him, "If you have anything to say, take it to the White House," has a very interesting pyramiding effect after that, as you can see if you go through these messages.

#### ITT CHANGES ACCOUNT OF KORRY ATTITUDE

On October 16 the memo from Mr. Gerrity to Mr. Geneen repeats it more or less the same way. But then on October 22, they seem to get it right, more or less, and I will read it, if I may.

Mr. KORRY. October 20, 1970, Gerrity to Geneen. Here he says in paragraph 6:

Will it invoke the Hickenlooper amendment, and if it did would it matter? What is at stake? Will AID funds be cut off? (Please see Jack Neal's memo concerning his conversation with Ambassador Korry who, Neal reports, says he has gotten approval to cut off aid if expropriation occurs, and who adds that aid funds in the pipeline will be cut off where possible.)

What happened between the 16th and the 20th that got them to straighten out this point? I did not talk to any of them. Now, if you take it one—

Senator PERCY. Before we get too far afield, could I go back to the Neal memorandum of October 15? How did you happen to meet with Mr. Neal of ITT? Did he ask to see you?

#### CALLED BY MR. NEAL

Mr. KORRY. Yes: he called me in the State Department. He found out I had been there since the 11th of October and asked to see me. I agreed to see him because I was writing about his favorite subject, ITT, in the general sense of expropriations.



Senator PERCY. Did you at any time tell him that you would like to have help in getting your particular views promoted in the State Department or any place else in the U.S. Government?

Mr. KORRY. On the contrary, what I told him that day was that I was out of it and that if he had anything to say to take it to where the policy was going to be made. It was a flip remark, in a sense.

#### MEETING WITH GENEEN CONSIDERED

Senator PERCY. Did you suggest at any time to Mr. Neal or any other ITT executives that it might be useful for you to have a meeting with Mr. Harold Geneen?

Mr. KORRY. No; I think, as stated in that particular memo that I may have asked, indeed, I did, where Mr. Geneen was, but I never, never made any attempt to contact Mr. Geneen. I never spoke to Mr. Geneen, never spoke to anybody representing him in this period or later.

Senator PERCY. Did you indicate to anyone—

Mr. KORRY. That was the only time.

Senator PERCY [continuing]. A willingness to see him or a feeling that a meeting might be useful?

Mr. KORRY. At that time, at that precise time, I thought, I was thinking, that a meeting could be conceivably useful because that company had had the greatest single success in negotiating agreements.

Let us go back to the context, if I may, that I was writing the post-Allende submission. Drafting is what I should say, for the State Department, U.S. policy on how to deal with the problem of expropriation, ITT's. At that time I had no knowledge, nothing approximating the knowledge I have today as to how that company worked. [Laughter.] But ITT had successfully negotiated in Brazil; it claimed to have successfully negotiated in Peru; it had a record that was unmatched except for the Anaconda negotiation in 1969 with the Frei government, an unmatched record for successful negotiation in tricky circumstances and I thought briefly, and I will confess to you it was an enormous error of judgment in the light of hindsight, I thought it might be useful if I did see Mr. Geneen but I did not pursue it. Whatever good Lord may have been looking over me, I did not do it and it ended with my asking if he were in New York and nothing further. And they made no attempt to contact me.

Senator PERCY. I would like to yield the Chair back to the chairman, who has returned to the room. I have a number of other questions, but I will defer to the Chair and our counsel.

#### POST-ELECTION ASSESSMENT

Mr. LEVINSON. Mr. Korry, I would like to go back to your post-election, post-September 4 election, assessments, which we were discussing.

Now, in this post-election assessment, did you advise that the Allende government had cost the taxpayer billions of dollars in debt repudiation and OPIC guarantees?

Mr. KORRY. Not in language that crude, no.

Mr. LEVINSON. Would you tell us in what language you referred to the question of OPIC guarantees and that repudiation?

Mr. KORRY. I said U.S. exposure added up to a couple of billion dollars. There is a big difference.

Mr. LEVINSON. Did you think that this exposure would be, that the risk of this exposure and repudiation of these obligations would be, higher as a consequence of an Allende government?

Mr. KORRY. Without any question.

Mr. LEVINSON. And you advised the State Department about that?

Mr. KORRY. Yes, I did.

#### FORECAST DIFFICULTIES FOR UNITED STATES

Mr. LEVINSON. Did you forecast great difficulties with U.S. relations with other countries as a consequence of the Allende government?

Mr. KORRY. I said it was likely.

Mr. LEVINSON. Did you also come to the conclusion that the Chilean example of a popular front government elected in pre-elections could have a significant impact on France and Italy?

Mr. KORRY. No; that came up later and it was raised by others. It was ventilated first by Chilean politicians and others.

Mr. LEVINSON. But did you communicate—

Mr. KORRY. Do not forget the head of the Communist Party gave a very notable interview to l'Unità in Rome and there was considerable commentary about it.

Mr. LEVINSON. Did you comment upon this possibility to the State Department?

Mr. KORRY. Indeed, I did.

Mr. LEVINSON. Did you communicate to Washington that Allende was most vulnerable through the means of pressure on the economy of Chile?

#### ECONOMIC VULNERABILITY OF ALLENDE GOVERNMENT

Mr. KORRY. I said, if one had a range of options, that you had to steer clear of what you have referred to, and others have referred to, as a hard line in terms of the kind of pressures you put on Allende, if we were going to get into a negotiating tug-of-war with him, we had to show that we had some cards on our side of the table. I felt I was a trustee for this \$2 billion that Congress had voted for Chile, I felt a great sense of responsibility about that. I thought that if, and I said, that, if the United States were to be indifferent—

Senator CHURCH [now presiding]. I am sorry, votes have been constant and I had a major amendment on the floor I had to attend to, that was the reason for my absence, so we just have to make do with the circumstances.

Mr. LEVINSON. Mr. Ambassador, in this cable or any cable, did you recommend to Washington that measures be taken to create economic dislocation in Chile as a means of stopping Allende or pressuring Allende?

Mr. KORRY. Taken by the U.S. Government?

Mr. LEVINSON. Yes.

Mr. KORRY. No.

Mr. LEVINSON. Did you ever recommend to Washington that measures be taken either directly by the U.S. Government or in-

directly to induce U.S. companies or any other persons or entities, to create or accelerate economic dislocation in Chile as a means of stopping or pressuring Allende?

Mr. KORRY. My recollection of the reports quoted others as suggesting it.

Mr. LEVINSON. Did you ever recommend or advise that such actions be taken?

Mr. KORRY. I am not certain at this point. I have not read the record and I really do not know.

Mr. LEVINSON. So to the best of your recollection, you do not deny it but you cannot confirm it?

Mr. KORRY. That is right.

Mr. LEVINSON. Now, I should like to read to——

Mr. KORRY. Incidentally, I have not read the record.

Mr. LEVINSON. On whatever basis, to the best of your recollection, you cannot deny it or confirm it at this point?

Mr. KORRY. Right.

#### KISSINGER PRESS BRIEFING

Mr. LEVINSON. Now, I should like to read to you an excerpt from Dr. Kissinger's off-the-record press briefing for a group of Midwestern editors in Chicago on September 16, 1970. Dr. Kissinger:

[For full text of briefing see Appendix I, p. 541.]

The election in Chile brought about a result in which the man backed by the Communists, and probably a Communist himself . . .

Mr. KORRY. Beg pardon?

Mr. LEVINSON. Let me read it again.

Mr. KORRY. I did not hear you.

Mr. LEVINSON [reading].

The election in Chile brought about a result in which the man backed by the Communists, and probably a Communist himself, had the largest number of votes by 30,000 over the next man. . . .

Did you advise that Allende himself was probably a Communist?

Mr. KORRY. Never.

Mr. LEVINSON. Dr. Kissinger goes on to state:

I have yet to meet somebody who firmly believes that if Allende wins there is likely to be another free election in Chile.

Was that part of your advice to the State Department and the White House? Do you want me to read that again?

Mr. KORRY. I will avail myself of Senator Percy's offer and respond to that question and anything pertaining to it in executive session. The reason that the offer was made, Mr. Chairman, was that I want to emphasize I do not want to get into anything that affects current U.S.-Chilean relations or that does harm to any Chilean of any——

Mr. LEVINSON. Let me rephrase the question to you.

Mr. KORRY [continuing]. Of any coloration.

Mr. LEVINSON. Dr. Kissinger states in this off-the-record press briefing:

I have yet to meet somebody who firmly believes that if Allende wins there is likely to be another free election in Chile.

## FUTURE OF DEMOCRACY IN CHILE

Did you share that opinion in September 1970?

Mr. KORRY. The opinion that I shared, I restate it as I did before, was that I did not believe that the political structure would be reversed. That there would be elections, yes. There is a difference.

Mr. LEVINSON. Dr. Kissinger states—

Mr. KORRY. I want to make clear what I am saying there. This is not a play of words. What I am saying is that when one employer has control of a country, that when the state controls everything of any significance, there cannot be a free press, there cannot be free trade unions, and there cannot be what I would consider a free election. That is what I was saying, and I said that the Communist Party of Chile and that the Socialist Party of Chile had spelled out these goals clearly over a long period of time, that all you had to do was sit in Chile and listen to the radio blaring out the propaganda every day from these people on the radio, in the press, in their theoretical journals and it was difficult to escape that conclusion.

Mr. LEVINSON. Let me just—

Senator CHURCH. Mr. Korry, may I ask whether it is your opinion, then, that the latest elections in Chile, in which the opposition received a substantial majority of the vote over the government were not free elections?

Mr. KORRY. Mr. Chairman, I am referring to 1976 in this discussion, not to the intervening period. I am sorry, but while you were fulfilling other, more important responsibilities, I referred to why I thought Chile was the one place on earth where through peaceful democratic means over a 6-year period you would arrive at a situation that the Communist Party had predicted: an irreversible political structure. I am not talking about the intervening years.

Senator CHURCH. I see.

## EFFECT ON CHILE'S NEIGHBORS

Mr. LEVINSON. Now, let me continue with Dr. Kissinger and read a fairly lengthy quote, again quoting Dr. Kissinger:

Now, it is fairly easy for one to predict that if Allende wins, there is a good chance that he will establish over a period of years some sort of Communist government. In that case you would have one not on an island off the coast. . . .

Mr. KORRY. Not what?

Mr. LEVINSON.

. . . not on an island off the coast which has not a traditional relationship and impact on Latin America, but in a major Latin American country, you would have a Communist government, joining, for example, Argentina, which is already deeply divided, along a long frontier, joining Peru, which has already been heading in directions that have been difficult to deal with, and joining Bolivia, which has also gone in a more leftist anti-U.S. direction, even without any of these developments.

Is that analysis consistent with what your own opinion was in 1970?

Mr. KORRY. You are getting into countries where I had no responsibility and gave no judgments about.

Mr. LEVINSON. So the answer is that you have no judgment as to what is quoted here?

Mr. KORRY. As to Argentina, Bolivia, Peru.

Mr. LEVINSON. As to the excerpt I quoted to you.

Mr. KORRY. But if you are asking me whether I thought Chile could have an effect on its neighbors the answer is, yes.

Mr. LEVINSON. So, then, it is consistent with Dr. Kissinger's analysis?

Mr. KORRY. I said: "could have."

Mr. LEVINSON. That is what he says.

I would like to go on with Dr. Kissinger:

So I do not think we should delude ourselves that an Allende take-over in Chile would not present massive problems for us, and for democratic forces and for pro-U.S. forces in Latin America, and indeed to the whole Western Hemisphere. What would happen to the Western Hemisphere Defense Board, or to the Organization of American States, and so forth, is extremely problematical.

Now, he says:

So we are taking a close look at the situation. It is not one in which our capacity for influence is very great at this particular moment now that matters have reached this particular point.

#### REFUSAL TO DISCUSS OFFICIAL INSTRUCTIONS

Now, I would like to ask you what instructions you received as a consequence of this closer look at the situation that Dr. Kissinger refers to?

Mr. KORRY. I refer back to what we went through about an hour ago as to the instructions that I received from the executive branch and my unchanged—

Mr. LEVINSON. Would you state that for the benefit of the Chairman, who was not present at that time, as to exactly—I am asking you a direct question, and that is as a result of taking a closer look at this situation to which Dr. Kissinger refers in this press conference. What instructions did you receive?

Mr. KORRY. If you wish me to tell Senator Church what I told Senator Percy, I will be delighted, but I regret, it is going to take some time.

#### UNITED STATES TOOK "HANDS-OFF" ATTITUDE

I said it was obvious from the historical record that we did not act in any manner that reflected a hard line; that the United States gave no support to any electoral candidate; that the United States had maintained the most total hands-off the military policy from 1969 to 1971 conceivable; that the United States did not get involved in the so-called Alessandri formula; that the United States did not seek to pressure, subvert, influence a single member of the Chilean Congress at any time in the entire 4 years of my stay; that all my instructions came from State; and that no hard line toward Chile was carried out at any time.

Now, I said that a distinction had to be drawn between analysis and action, between putting the monkey on the Chilean back, which is what the Alessandri formula, so-called, meant, and putting the monkey on the United States back, which is what the military or anything that was designed to interrupt Chilean life signified.

The monkey was put on the Chilean; we constantly told the Chileans "That it is your problem, you have got to decide." There was no pressure on President Frei whatsoever, as he has publicly said, and has privately written as well.

Now, as far as I am concerned, I have a moral obligation. I served three Presidents with undiluted loyalty. I did it on the basis of a moral contract. In return for that loyalty, they listened to what I had to say, as to what they might do, and they gave me a fair reading. In each of the three instances they fulfilled their side of the bargain completely. I also said earlier today that in 1954 at the Geneva Conference on Indochina, on the opening day, I got relieved from my job for not giving the U.S. Government sources for a story that said that President Eisenhower was debating whether to commit U.S. air and sea forces to the battle of Indochina.

I do not, therefore, intend to be pushed constantly by counsel into the position of saying that I am trying to seek executive privilege or anything else. I feel that the institutional process of communications between the executive branch and its Ambassadors has got to be maintained, if you do not wish chaos in this Government, if you do not wish Ambassadors never to say an honest word to their boss.

Mr. LEVINSON. Mr. Ambassador, I quoted to you an excerpt from Dr. Kissinger—

Mr. KORRY. That is right.

Mr. LEVINSON [continuing]. In which he said a closer look was being taken. I asked you if, as a result of that closer look, you received any instructions. That is a direct question. Can we get a direct answer?

#### MANY INSTRUCTIONS RECEIVED

Mr. KORRY. I said, I received many instructions and that I was not going to get into the details of instructions that I got at any time.

Senator CHURCH. Although I have not heard all of your testimony, Mr. Korry, you told Mr. Neal a great deal more about what was going on in Chile on October 15, 1970, than you are willing to tell us.

Mr. KORRY. I just went over that entire cable point by point—

Senator CHURCH. Very well, I will look to the record for that because I was not here to hear it.

Mr. KORRY [continuing]. And gave an extremely candid account. And also I want to make one point about that cable. It is a perfect example of what is called in the financial world "pyramiding," and in the newspaper world "chasing your own tail."

Mr. LEVINSON. If you are not prepared to tell this committee what your instructions were with respect to the Chilean political situation immediately after the post-September 4 popular election or in response to what Dr. Kissinger says about taking a closer look at the Chilean situation? You are not prepared to tell this committee what instructions you received, is that correct?

Mr. KORRY. That is correct.

Senator CHURCH. Mr. Blum.

#### KORRY PRESS BRIEFING

Mr. BLUM. Mr. Korry, did you hold a press briefing shortly after the popular election in the Embassy in Santiago?

Mr. KORRY. I did, at their request.

Mr. BLUM. At their request. What did you tell them?

Mr. KORRY. Well—

Mr. BLUM. Did you, let me be very specific—

Mr. KORRY. Yes.

Mr. BLUM. Did you mention the Alessandri formula at the time?

Mr. KORRY. Oh, absolutely.

Mr. BLUM. I would like you to——

Mr. KORRY. Incidentally, let me just say, as far as the press is concerned, if I made any error it was being extremely candid with the press about what I thought because I believe that to the maximum extent possible the press should know.

#### TIME FILE GIVEN TO ITT

Mr. BLUM. I would like to refer you to a file that ITT obtained from Time magazine.

Mr. KORRY. Right.

Mr. BLUM. I will read the quote that was filed by the Time magazine reporter. [See Appendix II, p. 686.]

Mr. KORRY. All right.

Mr. BLUM. "Nevertheless, I believe and must again caution you not to relay this intelligence in any way to Chile where Allende's men now monitor international communications."

Mr. KORRY. I beg your pardon? Oh, OK.

Mr. BLUM. It is in the middle of the page "that Ambassador Korry may be engaged on Nixon's instructions to do all possible to prevent Allende from taking power."

Mr. KORRY. I would assume that, I just assume that that is Mr. Hendrix or Berrellez talking to his colleague from Buenos Aires.

Mr. BLUM. Mr. Ambassador, did you at any point ever tell a newspaper person that you had received a message of that character?

Mr. KORRY. Not to the best of my knowledge. And certainly——

Mr. BLUM. Can you answer that categorically yes or no?

Mr. KORRY. Not to the best of my knowledge, that is all I can say. I cannot because of something that might have been interpreted that way. I would say no categorically, I would say no. I am confused now as to dates, but Mr. Gruenwald, the managing editor of Time, came at one point to see me, and others constantly came to see me, but I did not ever, did not ever, engage in that kind of a discussion not only with no member of the press but with no business representative——

Mr. BLUM. Clearly, though, the implication that such a message had been received was not limited to Mr. Hendrix and Mr. Berrellez?

Mr. KORRY. But they were quite active.

Mr. BLUM. Indeed.

Now, did you in the period between the popular election——

#### CONVERSATIONS WITH CHILEAN CANDIDATES

Mr. KORRY. Incidentally, they say the Chileans had asserted that this was the case.

Mr. BLUM. Did you in the period between the popular and the congressional election, talk to Mr. Tomic?

Mr. KORRY. In September 4 to October 24?

Mr. BLUM. Yes.

Mr. KORRY. Not to the best of my recollection. But you can freshen it if you know of anything.

Mr. BLUM. Can you say you did not talk to Mr. Tomic?

Mr. KORRY. I do not think I did.

Mr. BLUM. Did you talk to Mr. Alessandri?

Mr. KORRY. I do not think I did.

Mr. BLUM. Did you talk to any of their immediate—

Mr. KORRY. I can tell you the State Department can affirm or refute the assertion, but to the best of my knowledge, no.

Mr. BLUM. Are you prepared to say?

Mr. KORRY. To the best of my knowledge, I think that would have been out of the question. I mean it is just totally impossible, I would think.

Mr. BLUM. Did you suggest to either of them or anyone working with them that it was in their best interests to pull together?

Mr. KORRY. No. Flatly, no. In fact, I can say categorically that I did not see them, I did not speak to or contact them in that entire period.

#### OPINION ABOUT CHILEAN ARMED FORCES

Mr. BLUM. I would like you to turn to a memo dated Sept. 17, 1970, at the bottom of the page where you are quoted as saying "Korry has said he considers the armed forces a 'bunch of toy soldiers.'" The words "bunch of toy soldiers" are in quotes.

Mr. KORRY. Right.

Mr. BLUM. Did you in fact say that?

Mr. KORRY. I may well have because it was a major, if not the major preoccupation that I had for more than 2 years, that we were going to be, through a misstep officially, or through the machinations of Chileans or others, involved with the Chilean military in an attempt to interfere with the constitutional processes in Chile, and that issue arose, if I may refresh your memory, in 1969. The United States was accused of having fomented General Viaux's sitdown strike or small rebellion, whichever you preferred to define it as. So I took every possible measure I knew, including semantical measures, to dissuade anybody from having anything to do with the Chilean military.

Mr. BLUM. You said that before, Mr. Ambassador, but the thrust of your answer is you did refer to the Chilean military as a "bunch of toy soldiers"?

Mr. KORRY. I said I may have.

Mr. BLUM. You may have.

Mr. KORRY. But if I did it may well have been the kind of flip remark that I would make within the context of what I have told you.

#### PROMISE OF ASSISTANCE FROM U.S. MILITARY

Mr. BLUM. In the same memo dated September 17, 1970, Hendrix and Berrellez say "We know", and that is a flat categorical statement—"that the army has been assured full material and financial assistance by the U.S. Military Establishment."

Did you make that promise?

Mr. KORRY. Well, I cannot only say "never" but I can also say that whoever may have said that we did, could only have done so with the knowledge that it was contrary to all official instructions.

Mr. BLUM. Were you asked by any Chilean to make such a promise?

Mr. KORRY. Yes.



Mr. BLUM. Could you have answered that Chilean in a way which would have led him to believe that he had such support?

Mr. KORRY. I answered the question categorically, that, not only was it out of the question in the specific instance that I am thinking of, which I will be glad to provide in executive session, but also I will tell you that answer was a categorical "No" and that, furthermore—and this refers to that critical period—I said that I had put such inhibitions on our contacts with the military that anything that the United States had to say about the military could not be an official statement because no one else was authorized to make any statement on behalf of the United States about the Chilean military.

Mr. BLUM. Were you asked by anyone in the Chilean military if they moved, whether the United States would recognize the government after they moved?

Mr. KORRY. I was not.

Mr. BLUM. Was anyone at the Embassy?

Mr. KORRY. Not to my knowledge.

Mr. BLUM. Is it possible that they were?

Mr. KORRY. I am sure they were.

Mr. BLUM. You are sure they were?

Mr. KORRY. In the environment in Chile—

Mr. BLUM. Would it have been possible that the reply to that is it is U.S. policy to recognize any such government?

Mr. KORRY. I just do not know. I mean, could it have been, are you asking me?

Mr. BLUM. I am asking you that because clearly the impression seems to have been abroad in Santiago, and I am trying to pin down how it might have gotten abroad, that the U.S. Embassy was encouraging or supporting or promising assistance to the military. Now, we have pressed very hard with Mr. Hendrix and Berrellez. They have told us their sources are Chilean, and I am trying to get an understanding of the nature of your contacts with Chileans.

Mr. KORRY. Right.

Mr. BLUM. That might have led to this impression.

Mr. KORRY. I am saying to you that in the most sensitive single contact I had in that entire period, when I was asked that question unexpectedly—the occasion just did not lend itself to that kind of a question—that the answer was a categorical "No; we are staying clear of the military. Do not push us in that direction."

Now, if you are asking me what Mr. Berrellez is saying or Mr. Hendrix or those, I will say to you what I have said before in this hearing, that there were Chileans very anxious to involve us. And when you ask me, could that question have been asked, I say there were so many Chileans that were trying to entrap us, one way or another in this thing, that it is entirely likely.

#### DENIES MESSAGE TO VIAUX

Mr. BLUM. Now, there are a number of references in these memoranda, and there is one very specific reference and it is a memo dated October 16, 1970, from Hendrix to Gerrity and it says "It is a fact that word was passed to Viaux from Washington to hold back last week." You have denied talking to Mr. Viaux. Is it possible that anyone in

the American military establishment in Chile talked to him and passed such a word?

Mr. Korry. Mr. Blum, the only thing I can say is, if they did, they were countermanding specific orders from me that had been restated at many country team meetings, in many other gatherings within the Embassy, and in all messages to Washington, without exception, in all channels, without exception.

Mr. Blum. I understand those standing orders. I will now ask you to answer yes, or no. To your knowledge, was word passed to Viaux?

Mr. Korry. On the contrary, the message or the reports stating that came to me as a great surprise and shock when I first read of it in the ITT documents.

#### RELATIONSHIP WITH HENDRIX

Mr. Blum. There is a memo from Hal Hendrix to Keith Perkins, dated November 18, and Mr. Hendrix says in the memo he had established a good relationship with you. Was he a regular visitor at the Embassy?

Mr. Korry. Not to my knowledge. As I said to you early in this hearing today, he starts that memo by saying that he knew me as a correspondent when I got to Chile and he said to you that he joined ITT in September 1967, I arrived in October 1967.

Mr. Blum. I asked if he was a frequent visitor at the Embassy?

Mr. Korry. No; not to my knowledge.

#### DENIES SEEKING ITT JOB

Mr. Blum. Now, the memo says and suggests that you were trolling for a job with ITT. Were you?

Mr. Korry. I put it into the record earlier today that I never sought, never discussed, never trolled, never implied, never inferred anything to that effect.

Mr. Blum. Now, the suggestion from reading these memos is that you were working very hard to protect American business interests because you were trolling for a job with the company. That is the suggestion left on the record.

Now, what I would like to know from you is what your feeling was about what your obligation, as American Ambassador, was to the corporate people in Chile, and why you felt that way?

#### OBLIGATION TO PROTECT U.S. INVESTMENTS

Mr. Korry. As you well know, I went through a period in which the largest single negotiated nationalization until that time had taken place: that is in 1969, Anaconda, the largest nationalization that was negotiated. I felt strongly that it was possible, and the reason I stayed for 1 year and 2 months beyond the election of Allende, that I proved that in certain cases it was possible, to negotiate these things in a way that was acceptable both to the company and to the Chilean Government, the Chilean people.

Mr. Blum. Did you feel in doing that you were protecting the American taxpayer?

Mr. Korry. Yes.

Mr. Blum. Because of OPIC?

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Mr. Korry. Yes, in part, but more than that. In the 1969 negotiation, where I knew that the U.S. Government considered Anaconda not to have had any valid insurance for the big part of the property under negotiation, I nonetheless, took the initiative in trying to break a stalemate because I felt that if there would be a breakdown, then the United States and Chile would have very difficult relations. Such a breakdown would impinge on other relationships, AID relationships, and other things.

This concept has nothing to do with the AID guarantees. It has to do with certain principles that have been laid down by the Congress repeatedly. This is not an invention of some Ambassador, these are things that we as a government have enunciated.

Mr. BURN. Did you feel you had an obligation to do what you could to try to help the companies to try to protect the taxpayers?

#### PROTECTING OTHER INTERESTS

Mr. Korry. Yes, but I also did it, if I may say so. I also did it for the University of California, Ford Foundation, HIAS—the Hebrew Immigration Assistance Society, Tolstoi Foundation, and others in all those instances in a period immediately following September 4, in all those instances. I told each of those groups, none of whom I have contacted since, so you can check it out, that “one thing you must do is not fall into the trap which I hope Chile will avoid, and that is to follow what I as a government official tell you to do. You must protect your interest and I must help you to protect your interest and you must define what your interest is and not ask me to define it for you.”

Now, I want to add one thing to that because there has been a lot of other published information that has been ignored. If I may address my remarks to the Senator, I will just read from the New York Times, when I was supposed to be leaving Chile in April 1971:

Contrary to published reports, however, Mr. Korry developed effective working relations with key members of Dr. Allende's Government which took office in November. These contacts contributed to the prospects for negotiations on transfer of U.S. companies and also helped to eliminate from the nationalization legislation now in Congress some points that would lead to conflict, et cetera.

At another point the Times reporter said:

Since Dr. Allende took office, Ambassador Korry has been successful in assisting various U.S. companies to reach negotiated settlements with the government on compensation for properties that were under the threat of expropriation, et cetera.

When I actually left Chile in October 1971, the Times reported:

Before Mr. Korry's departure today Foreign Minister Clodomiro Alymeyda was host at a farewell dinner at which he said Chile appreciated Mr. Korry's efforts to work out practical solutions to problems arising from the nationalization of U.S. concerns.

I feel strongly that these are one of the many interests that the United States can have. None were vital, but they certainly were a part of our interests and if one were to be indifferent as to what happened to U.S. corporate interests in Chile, one would do damage to a relationship, not only in Chile, but between less developed countries and the United States on a global basis. The mood in Congress would

be such that people would say "The hell with those poor people in the world."

Senator CHURCH. Do you have further questions, Mr. Levinson?

#### CIA ACTIVITIES IN CHILE

Mr. LEVINSON. I have one further question, Mr. Chairman.

Mr. Ambassador, you said earlier that, with respect to whatever the CIA was doing in Chile, we would have to ask the CIA. Now, under the famous Kennedy letter in the early sixties, CIA was put under the direct authority, jurisdiction of the U.S. Ambassador, was he not?

Mr. KORRY. Correct.

Mr. LEVINSON. So, therefore, whatever a CIA station was doing in a country, the Ambassador was ultimately responsible. Is that correct?

Mr. KORRY. Correct.

Mr. LEVINSON. All right. Therefore, returning to the line of questioning that I opened up originally, I would like to ask you once again for the record, was \$400,000 authorized and put into covert propaganda activities in Chile in the pre-September 4 election period as part of an effort to prevent Allende from becoming President?

Mr. KORRY. And I must reply that I feel that that question can only, any question pertaining to any CIA activity any place in this world, must be answered by the Director of Intelligence.

Senator CHURCH. Well, Mr. Korry, I have not had the benefit of hearing all of your testimony, I will have to read the record. I am told that on direct questions concerning your instructions having to do with the policy of the American Government in Chile during this critical period you have not responded in open session, and the committee will have to consider the advisability of asking you such questions in executive session. As soon as I have an opportunity to study the record, I will. I am sorry that circumstances today have prevented me from being here during the whole course of your testimony.

I have no further questions. The staff has no further questions. Senator Percy has some questions.

Senator PERCY. Mr. Ambassador, if any of my questions have already been asked by the staff, just say so and I will check the record.

Mr. KORRY. Yes.

#### ASSISTANCE TO CHILEAN MILITARY

Senator PERCY. Would you comment on the assertion in the cable of September 17 to the effect that the Chilean Army had been assured full material and financial assistance by the U.S. Military Establishment in case of nationwide violence or civil war. Who could have given such assurance, and was it given, in your opinion?

Mr. KORRY. The answer is "no." but I believe I answered the question at length, is that correct?

Mr. LEVINSON. Yes, he did. Well, let us put it this way——

Mr. KORRY. If there is any doubt, state it, please.

Mr. LEVINSON. I would have to review the record like Senator Church, to determine precisely what was answered and what was not answered.

Mr. KORRY. If you have any doubts about that let me——

Senator PERCY. With respect to the U.S. military establishment, "full material and financial assistance by the U.S. military establishment in case of nationwide violence or civil war." Did the Ambassador respond to the question as to whether such an assurance was given?

Mr. KORRY. The answer is no, and categorically.

Senator PERCY. No; so that part of the cable is untrue.

Is it true, as the cable alleges, that an emissary of Allende called on you to say that "The Allende Government wanted to have good relations with the Ambassador and the United States." and that you responded that you had no time to think of the future.

Mr. KORRY. It is a ludicrous assertion. I asked the State Department to check the record yesterday, I met with the emissary three or four times. The accounts of the meetings were done by another member of the Embassy, a Foreign Service Officer; the subjects that were discussed there were the Eastern Island pull out, copper, the extraordinary campaign of vilification of the United States unleashed by the new government-elect parties, that is, Dr. Allende's supporters were going after the United States in every fashion imaginable and accusing us of everything conceivable, and we brought this to the emissary's attention.

The one thing, incidentally, that the emissary was seeking, if I may put it on the record—

Senator CHURCH. Excuse me, just a minute. Mr. Ambassador.

Mr. KORRY. Senator Percy, the one thing that the emissary was seeking at the beginning was for us to deal with the President-elect as President. I received a letter from the chairman of this full committee, at that time, in which he complimented us for taking no action. I am speaking now of Senator Fulbright. Somebody in Chile had written him to say how awful it was that the United States had not gone in immediately to congratulate Dr. Allende on becoming President of Chile, and he had addressed the letter to Senator Fulbright with a copy to me. The writer had not raised it with me, so I wrote a letter to Senator Fulbright saying, if memory serves me, that there was this cooling-off period before the Congress voted and that it would be the most crass interference in Chilean internal affairs for us to do as the letter writer suggested. This was a matter of contention between the Chilean political forces.

Mr. LEVINSON. Mr. Chairman, may I suggest we get this correspondence in the record, since there seems to be references to documents which we do not have?

Mr. KORRY. I believe, indeed I know, I reported it in full and I believe, the State Department could find it for you.

Senator PERCY. Has a request been made of the State Department for this correspondence?

Mr. LEVINSON. We have made a request of the State Department for the cables and correspondence.

Mr. KORRY. If they do not have it I will try to find it in my letters—it is an unclassified exchange.

Senator PERCY. I think it would be very helpful, and without objection it will be inserted in the record at this particular point.

[The information referred to follows:]

SEPTEMBER 8, 1970.

HON. J. WILLIAM FULBRIGHT,  
*Chairman, Foreign Relations Committee, Senate Office Building, Washington,  
D.C.*

DEAR SENATOR FULBRIGHT: I am distressed at the delay of the United States government in expressing its confidence in the democratic election held recently in Chile. In my opinion, any further delay in stating its intention of working in whatever ways possible with this freely elected government will be to the detriment of our future relations with Chile.

Those of us United States citizens living in Chile are naturally concerned about the meaning of the election and the meaning it will have in Chile's future. However, I am confident that prompt action by the United States in expressing its willingness to work with Chile will ease the minds of all concerned.

Such an action will also show the world that the United States truly believes in the democratic process. To panic and run away from an elected socialist would tell the world that we believe in democracy only when it works in the way we want. We cannot afford such behavior by our government.

I urge you to use your influence as Chairman of the Senate Foreign Relations Committee to work toward a statement of confidence in the freely elected government of Chile and in the democratic process.

Very truly yours,

GENE HILL,  
*Santiago College, Santiago, Chile.*

P.S.—Ambassador Korry: Similar letters have been sent to Senator Scott, Senator Mansfield, and Senator Kennedy. A letter of similar thought has been sent to the President.

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BCCs sent to Senators Mansfield, Kennedy, Scott, and Fulbright

SANTIAGO, CHILE, September 14, 1970.

MR. EUGENE HILL,  
*Santiago College, Santiago, Chile.*

DEAR MR. HILL: I have the copy of the letter you sent Senator Fulbright regarding what you believe would be a suitable reaction by the United States Government to the Chilean election of September 4.

Following that election the official spokesman of the Department of State was asked for comment. His reply, which the press subsequently carried, was that it would be inappropriate to offer comment inasmuch as the constitutional process of electing the next President of Chile had not yet been completed. I think you will agree that to go further and express an opinion before the Chilean Congress has acted would constitute unacceptable intervention in the internal affairs of this country.

The Department's spokesman did add that the United States Government hoped for a continuation of the traditional friendly relations with the people of Chile, whatever the result of the electoral process. This is a sentiment I most assuredly share.

Sincerely,

EDWARD M. KORRY,  
*Ambassador of the United States of America.*

P.S.—I would have assumed that someone in the educational field would have satisfied his curiosity before writing an intemperate letter.

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UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
WASHINGTON, D.C., September 18, 1970.

MR. EUGENE HILL,  
*Fundacion Educacional,  
Santiago College, Santiago, Chile.*

DEAR MR. HILL: This will acknowledge your letter of September 8 concerning the reaction of the United States Government to the recent election in Chile.

Any governmental statement would be a matter for the Department of State. My personal opinion is that the Department has behaved very well. I would de-

plore any statement or other action which might be taken as intervention in the internal affairs of Chile, particularly at this time when the final outcome of the electoral process is still in some doubt.

Sincerely yours,

J. W. FULBRIGHT,  
*Chairman.*

#### FINANCIAL SUPPORT FOR ANTI-ALLENDE EFFORT

Senator PERCY. Now, Mr. Ambassador, Hendrix and Berrellez said further: "The anti-Allende effort more than likely would require some outside financial support." They reported as follows: "We have pledged our support if needed." Did they make this pledge to you or any other official American in Santiago?

Mr. KORRY. No.

Senator PERCY. Did they mention the magnitude of support available from ITT in any way?

Mr. KORRY. No.

Senator PERCY. Did they indicate they had home office authorization to make such a pledge?

Mr. KORRY. Not to me.

Senator PERCY. Later in the cable Hendrix and Berrellez recounted their meeting with Arturo Matte, Alessandri's brother-in-law and campaign manager, on September 13, and reported that they had mentioned ITT was ready "as always" to contribute what was necessary.

Did you know that ITT was contributing directly to Alessandri?

Mr. KORRY. No, and moreover, I never met Mr. Matte, and it is conceivable, but I do not recall, any member of my embassy, having met him either, although he was the de facto campaign manager and chief fund raiser of Alessandri.

Senator PERCY. Was it commonplace for American corporations, to the best of your knowledge, to contribute to Chilean political parties or candidates?

Mr. KORRY. Whenever I asked that question, I was told that it was not. But since I mentioned earlier in our hearing today that I was approached quite crassly by all three camps, and people who either had ideas about running at that time or in the future also sent emissaries, I can only assume they went to the companies. In fact, I also know that.

Senator PERCY. Is it illegal in Chile for a corporation to contribute corporation funds to a political party or candidate?

Mr. KORRY. It apparently is not, since it is so widespread; that is, I know—

Senator PERCY. That is not necessarily so. [Laughter.]

Mr. KORRY. Well, I —

Senator PERCY. Do you happen to know offhand?

Mr. KORRY. It is not, I believe, illegal.

Senator PERCY. This is something we can check.

[Subsequent investigation indicates that such contributions are not illegal per se.]

## KORRY ACCUSED OF BYPASSING STATE DEPARTMENT

In the cable of October 20, 1970, it said that:

The rift between Ambassador Ed Korry and his superior at the State Department has reached the point where he deals now directly with the White House and does not always share his input and instructions with State.

Would you please comment on this?

Mr. KORRY. Two things. One, on October 15 at the request of Assistant Secretary of State, Charles Meyer, I drafted the State Department's position on Chilean policy. We worked very closely together.

Two, I do not know of a single substantive interchange in the entire 4 years or, I might add, in the previous 5 years, that I had with a President of the United States, any of the three, that was not shared with the State Department.

Senator PERCY. I see.

The superior referred to here is obviously Assistant Secretary of State Meyer. Is that right, that he was your immediate superior?

Mr. KORRY. It is a curious relationship. My only superior in theory was the President of the United States.

Senator PERCY. But the proper reporting relationship, that is —

Mr. KORRY. That is right.

Senator PERCY [continuing]. So far as official business and policy is concerned, is the Assistant Secretary, right?

Mr. KORRY. That is correct.

Senator PERCY. Did you in fact deal directly with the White House—which would include any member of the National Security Council or staff of the National Security Council, sometimes without informing the State Department?

Mr. KORRY. On any substantive matter—I am excluding things like letters of resignations, answers to that, letters of congratulations to this or that—aside from such, the State Department was privy to all substantive messages without exception.

Senator PERCY. Are you free to tell us with whom you did deal in the White House, even though you did report it to the State Department?

Mr. KORRY. Well, there is only one place to deal with it in the White House and that is the National Security Council. I did not know anybody else to deal with.

Mr. LEVINSON. Who on the National—

Senator PERCY. Are you talking about members of the National Security Council or staff?

Mr. KORRY. Staff.

Senator PERCY. Are you free to tell us the names of the individuals whom you dealt with?

Mr. KORRY. I will be very blunt about it. I only knew about four or five people on the White House staff at that time, to deal with in foreign policy. I knew the President, I knew Dr. Kissinger, I knew Mr. Nachmanoff and I think that is about it as far as—

Senator PERCY. You are not doing badly. [Laughter.]

Mr. KORRY. I did not deal often with them. It was rare indeed. I did not ask them to do anything special, to receive Chileans or any of the normal things that go on, and I saw them rather rarely and I had just as rare correspondence with them.



Senator PERCY. The Berrellez cable of November 13, 1970, said you were dealing directly with the President and said you yourself were the source of this information.

Mr. KORRY. Well, the answer to that—

Senator PERCY. Is that correct or not?

Mr. KORRY. Well, what I meant, and what I think he may have misinterpreted, is that I was absolutely certain that the President was seeing my cables.

#### QUALITY OF STATE DEPARTMENT ASSESSMENT

Senator PERCY. Finally, in Mr. Gerrity's memorandum of October 20, 1970, to Mr. Gencen, he says, "State has been absolutely wrong on the outcome in Chile and has been wrong consistently."

Do you agree with that assessment??

Mr. KORRY. Well—

Senator PERCY. Pardon?

Mr. KORRY. I do not agree with the assessment. I think U.S. foreign policy, by and large, has been quite successful since World War II, with the notable exception of the Vietnam experience. I think that our support in Latin America for them to have greater self-reliance and responsibility, to move toward integration, to move toward social progress, and the support we gave to it, sub-regionalism, the means by which we found acceptable solutions for such things as the Anacosta nationalization of 1969, the universalization of aid to Latin America, all these things that we supported are now giving Latin Americans a greater sense of their own dignity and their own reliance. That is nothing but to the good.

Senator PERCY. Ambassador Korry, I would like to thank you very much for your help this afternoon within the limits that you have set. We will recess until Senator Church returns.

[A recess was taken.]

Senator CHURCH. The hearing will please be in order.

I believe that Senator Case has a question that he would like counsel to put to you, Mr. Korry.

#### ATTITUDE TO ALESSANDRI FORMULA

Mr. LEVINSON. Yes. This goes to the question where you were testifying that you did not directly meet and discuss the Alessandri formula with President Frei. Did anyone on your staff discuss this with President Frei or people close to President Frei so that President Frei's views were elicited directly or indirectly and you were informed as to what those views were?

Mr. KORRY. Let me say that I did not need to know, I did not need to ask President Frei at any time what his views were as to this question. I knew his policy views extremely well before the election. Just as I said that no one in Chile would have to ask what the U.S. views would be about our reaction to Allende; so, therefore, the answer to your question is it was not, to the best of my knowledge, that it was never an issue, what would be his view. The question, that we wanted to know for reporting sake, was would he or would he not? Did he intend to go along with that formula or not?

Mr. LEVINSON. What was your conclusion?

Mr. KORRY. We concluded by the end of September that he would not. I asked to come up to Washington toward the end of September to discuss post-Allende policy.

Mr. LEVINSON. That is your conclusion, based upon personal contact with the members of the Embassy and President Frei. You came to the conclusion that he would not support—

Mr. KORRY. No, no, not from the President, he did not tell us. We knew from a variety of sources that there was no chance whatsoever, in our best estimate. We knew there were 20 or 25 congressmen of the Christian Democratic Party that intended to vote for Allende. We knew that President Frei was of the opinion that he was not going to go and ask for it in front of the whole country.

Mr. LEVINSON. My question is, how did you know that?

Mr. KORRY. From a variety of sources and, incidentally, if any one person told us anything it was checked out very carefully.

#### EXECUTIVE PRIVILEGE

Mr. LEVINSON. Now, again for purposes of clarification, and for the record, so we will just have it summed up and stated, the basis on which you refuse to tell this committee what instructions you received in this post-election period: are you stating that you are acting under instructions of the State Department or White House, or is this your own commitment?

Mr. KORRY. No, no, I want to make it very clear. I was gratuitously informed I enjoy the same protection as any member of the State Department or executive branch. But I would not presume to invoke or to have anybody invoke on my behalf, which is a more accurate way of putting it, executive privilege.

I have a deep and abiding conviction that it would be morally wrong, that it would be ruinously wrong, for me to give you the details of privileged communications between an embassy and its government. I think that this would have destructive impact for many years to come of the same sort that persisted after McCarthyism, where people would not ever dare to put on paper anything, would never stick their neck out for 2 seconds with an opinion that was not popular.

Mr. LEVINSON. May I understand this just again for precision. When you say "privileged communications," if I understand—

Mr. KORRY. I am not being legalistic.

Mr. LEVINSON. May I understand the basis for the use of "privilege?"

Mr. KORRY. No, forget it; take out "privilege."

Mr. LEVINSON. Well, I am just trying to get for the record so we are clear as to the basis on which you are refusing to disclose information.

Mr. KORRY. I am not playing with words. I am talking about the nature of relationships between ambassadors and their government.

Mr. LEVINSON. Is this a matter of moral principle?

Mr. KORRY. That is right. With me it is very very deeply so.

Mr. LEVINSON. So you do not claim a legal justification for this?

Mr. KORRY. I am told that there is a legal justification but that is not what I am invoking.

Mr. LEVINSON. Are you prepared to disclose this information in executive session?

Mr. KORRY. No, I am not.

Mr. LEVINSON. So you are not prepared to disclose the information—may I conclude—under any circumstances, not in open or executive session, is that a fair statement?

Mr. KORRY. I am prepared to say whatever I did, whatever I was responsible for, but not what others' responsibilities were.

#### THE ALESSANDRI FORMULA

Senator CHURCH. All right, Mr. Korry. Did you as Ambassador, at any time urge the Alessandri formula upon Mr. Frei or recommend to him or his associates that this particular course of action be followed?

Mr. KORRY. Recommended, no, but they certainly knew my sympathies were with it.

Senator CHURCH. Your sympathies were with it?

Mr. KORRY. Absolutely. I said that to the press, I said it to anybody else who asked me.

Senator CHURCH. Did you say it to Mr. Frei?

Mr. KORRY. No, it never came up.

Senator CHURCH. It never came up?

Mr. KORRY. It never came up. I know this is an astonishing assertion, and I am in the position of Tacitus, "I cannot ask you to refute or sustain my assertions by evidence. I can only say you can believe or disbelieve according to your discretion."

Senator CHURCH. But it was well known to—is it safe for me to assume, that it was well known to Mr. Frei and his associates that you were in sympathy with the Alessandri formula?

Mr. KORRY. That is correct.

Senator CHURCH. And you did communicate this in Chile in such a way that it was widely known, is that a fair statement?

Mr. KORRY. No, not in a way that was widely known. I never met with Chilean newspapermen, No. 1, and I want to reiterate the only error I made in dealing with a wide sector was to take the American press into my confidence as to what I really felt.

Now—

Senator CHURCH. But if you told the American press that you favored the Alessandri formula, then our common experience is such that it would be a fair assumption this was then widely known in Chile and in Latin America.

Mr. KORRY. The correct assumption, sir—and I am not attempting to instruct you in anything—but the correct assumption is that it would be very difficult to have found a single Chilean of any age, literate or illiterate, in any situation, who would not have assumed that the United States would have favored it before it ever came to our attention. It would just be a universal, natural, national assumption. In fact, they would have thought that only lunatics in the United States would have had any question about it. That would have been the national attitude in Chile. And it is because of their understanding of what our policy had been clearly under the Alliance for Progress, their understanding of what the Communist Party stood for in Chile

and had never hidden it—it was an unrelenting flood of vilification against all Americans and American policy, anybody who had anything to do with the U.S. society.

So, therefore, if they were to conclude that we favored that kind of a government it would have been an unnatural act and contrary to the will of this Congress as repeatedly expressed.

Senator CHURCH. Mr. Korry, I am not arguing with you. I am just trying to find out what you did.

Mr. Korry. No, I am saying I did not have to do very much about this because—

Senator CHURCH. What you said is that you did not really have to say you were in favor of the Alessandri formula.

Mr. Korry. That is right.

Senator CHURCH. Because everybody would have assumed you were in favor of it.

Mr. Korry. That is right.

Senator CHURCH. But you communicated it to everybody.

Mr. Korry. That is right, I did not hide it.

Senator CHURCH. Fine.

Mr. Korry. It would have been unnatural if I said to the contrary.

Senator CHURCH. The formula, however, as I recall, did depart from what had been traditional practice in Chilean politics, did it not? Had it not traditionally been true in Chile that the candidate receiving the plurality of the vote customarily was installed by the Congress as President?

Mr. Korry. Yes, sir.

Senator CHURCH. And the Alessandri formula would, therefore, have been at variance with what had been the customary Chilean practice?

Mr. Korry. Yes, sir. But it was written, as I said earlier today, it was written into the Constitution by the framers of the Constitution because they thought it might be invoked at some time.

Second, it was publicly debated. It was Chilean conceived, which is a third point. It was a constitutional matter. There was nothing sleazy, surreptitious or anything else about it. The fact is that you, in this Congress, I hope, avail yourselves of your constitutional prerogatives even if they are not used in all instances or over a long period of time, and the same thing could prevail in Chile. We thought that this was a decision whereby the Chileans would have to assume the responsibility for what happened and it was clearly not our responsibility, and this is a very important point. For those who felt that we had often taken too much responsibility on our back, this was a very important point that they assumed this responsibility.

#### QUALITY OF ITT REPORTING

Senator PERCY. Mr. Chairman, I have just one more question.

Senator CHURCH. All right.

Senator PERCY. I wonder, Mr. Ambassador if you could tell for us why you feel that men who have been selected because they are discerning reporters, who have no purpose, presumably, other than to send back accurate accounts of what happens in Chile, would make so many statements made by them that are in this cable that are ascertained to be erroneous by the only man on the scene who really

would know and have the authority to say so? What explanation is there for this situation?

Mr. KORRY. I will venture only very few explanations. One, the pressures that emanate from Chileans: that is No. 1. A great many Chileans had a great deal at stake, and you had to be there on election day and see a woman block my car until I heard her entire life story and then a successive wave of these people to understand, and these were the smaller people, these were not the wealthy; the wealthy can take care of themselves. These are people who wanted visas and all the rest. There was a certain sector of Chilean society that was panicked. That is No 1; a certain sector of Chilean society that felt very threatened, No. 2; three, there is the competitive pressure, and I can tell you as one who worked in the news agency business, of having to file all these damn reports, you have got to get them out, and sometimes you do not have all the time that you want to check.

Fourthly, it is a matter of dependence on your sources, and even in talking to American officials, as you are surely aware, there is a tendency to give different weight to that part of an argument that you favor as opposed to that kind that you disagree with. All of these things as well as many others can contribute to misinformation. And finally, there is the personal, subjective desire to do certain things. Any combination of these things. I think that in a lot of these matters there are half truths, and the whole thing, the whole combination of reports and that is why I went through with you the Neal cable, I do not think was malicious. I think frankly, he just did not get it right and partly I was to blame for that because I was operating under the gun and I probably shorthanded him. But somebody straightened him out, I have forgotten whether you were in the room or not when I went through that, sir, but if you go to the October 20 cable from Gerrity to Geneen, it is finally gotten right. They insert the key words "if expropriation occurs," then aid would be cut off and even that is wrong, but at least, it is better than the raw material that he sent in; and then they have "where possible" instead of a blanket. Now, somebody straightened that out.

Another thing let me just repeat, to give another example of that same neoreporting you asked about earlier. In the first instance I say to Neal, perhaps not in the most clear or the most effective way, "go to the White House if you have anything to say." That is transmitted.

The next thing that happens is I am quoted as saying that I wanted them to submit a program and that the program that is submitted is said to have "Korry's input." What input? I never saw anybody from ITT after that glib kissoff "go to the White House if you have got anything to say."

I never spoke to anybody from ITT about it. What input? But this is what I call pyramiding, and it is natural. It is that old dinner table game of whispering and see what comes out at the end as it goes around the room.

#### ITT SOURCES

Senator PERCY. When Berrellez testified that the source of his information was a source close to President Frei, is it your judgment that that source should not have been relied on in this case and the positiveness with which the report was sent to his home office or his superiors was misleading to them?

Mr. KORRY. I am sorry, you were asking me if I believed that the source of this reporting was—

Senator PERCY. Was just simply misinformed.

Mr. KORRY. I think he was, yes.

Senator PERCY. I do not know whether you commented on the report in the Berrellez memorandum concerning you dated November 13, that you had regular briefings with the press, and that you lost your composure and became sort of a male Martha Mitchell.

Mr. KORRY. Yes.

Senator PERCY. I will give you time if you want to comment on that, but I do not imagine you need to. Again, I want to thank you.

Mr. KORRY. I would like to, yes, not about that, but I would like to make one other comment on the record, if I might.

Senator PERCY. Feel free to do so. Now I have again—

Mr. KORRY. Or submit it, if you will.

Senator PERCY. Yes; it will be incorporated in the record at this point then, if you care to submit it.

Mr. KORRY. Not in answer to that question but in answer to certain specific things in which you have an interest and that is the role of American overseas corporate activities. That is all.

Senator PERCY. I think that would be extremely helpful to us. You have been in an unusual situation in a very sensitive area, and certainly I think your reflection on this, advice and counsel and comments would be extremely important, and I would insert in the record whatever you might wish to incorporate. We will recess until the chairman returns.

[No statement was submitted by the witness.]

[A recess was taken.]

Senator CHURCH. Mr. Korry, I think that concludes our questions for the day and you are excused at this time.

Mr. KORRY. Thank you very much.

Senator CHURCH. Our next witness is Mr. Lyle Mercer. Is Mr. Mercer in the room?

Mr. Mercer, if you will stand and take the oath, do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MERCER. I do.

#### **TESTIMONY OF LYLE MERCER, DIRECTOR OF WASHINGTON SERVICES FOR THE KENNECOTT COPPER CORP.**

Senator CHURCH. Mr. Blum, are you going to question Mr. Mercer?

Mr. BLUM. Thank you, Mr. Chairman.

Mr. Mercer, for the record, would you please state your name and address?

Mr. MERCER. I am Lyle Mercer. I am Director of Washington Services for the Kennecott Copper Corp. and our office is at 1775 K Street.

Mr. BLUM. What do your duties encompass in that capacity?

Mr. MERCER. I am in charge of their Washington office. We have a small staff and I perform the usual duties of a corporate Washington representative.

Mr. BLUM. How long have you held the position?

Mr. MERCER. I opened the office for them here in May of 1969.

Mr. BLUM. So then, you were in charge of that office in the 1970-71 period?

Mr. MERCER. Yes.

Mr. BLUM. That we are considering now.

Mr. MERCER. That is correct.

#### AD HOC COMMITTEE ON CHILE

Mr. BLUM. What was your first knowledge of what has been referred to here as the ad hoc committee on Chile?

Mr. MERCER. Would you repeat the question?

Mr. BLUM. What was your first knowledge of what has been referred to here as the ad hoc committee on Chile?

Mr. MERCER. My first knowledge was when I was invited to become a member and sit in on the meetings.

Mr. BLUM. Who made the invitation?

Mr. MERCER. Mr. William Merriam, ITT.

Mr. BLUM. Were you contacted about it by anybody from the Anaconda Corp.?

Mr. MERCER. No, sir.

Mr. BLUM. The only invitation then, came from Mr. Merriam of ITT?

Mr. MERCER. That is correct.

Mr. BLUM. And what were you invited to do?

Mr. MERCER. Just participate—sit in on the meetings.

Mr. BLUM. How did he describe the meeting when he first called you and asked if you could come?

Mr. MERCER. Well, it was verbal but, as I recall, it was something of the nature that "We are a group getting together who has interest in South America—in Chile, to exchange views on the situation there and exchange information that would be pertinent to the problems that we seem to be facing in Chile."

Mr. BLUM. And you attended how many meetings of this organization?

Mr. MERCER. As I recall, Mr. Blum, two. I went to a meeting in January or February—I guess it was February, and then another one in March.

Mr. BLUM. What was discussed at the first meeting, do you recall?

Mr. MERCER. No; I cannot recall just off hand but, to the best of my memory, it was the situation that existed in Chile, and I believe there were some suggestions exchanged between members of this committee as to what might be done with our own Government to bring this to the attention of the people in Government.

#### THREE PRESSURE POINTS IN GOVERNMENT

Mr. BLUM. The minutes of the ad hoc committee meeting of February 9, 1971, suggested there were three pressure points in Government and suggested particularly that the focus of attention was the Central Intelligence Agency and the White House. Do you recall Mr. Merriam saying that at the meeting?

Mr. MERCER. I cannot recall it specifically, but I have a copy of those minutes and I am sure that that is correct.

Mr. BLUM. Did you in any way follow up? Did you pay a visit to any one of the Security Council staff with respect to your company's interest?

Mr. MERCER. No, sir.

Mr. BLUM. Did you talk to anyone at the Central Intelligence Agency?

Mr. MERCER. No, sir.

#### EFFECTIVENESS OF AD HOC COMMITTEE

Mr. BLUM. What was your feeling with respect to the effectiveness of this committee?

Mr. MERCER. Well, I had to judge the effectiveness purely from the standpoint of Kennecott's situation with which, incidentally, I was not too much involved. From the standpoint of my knowledge of Kennecott's problem in Chile, I concluded after a couple of meetings that there was no particular value to us for continued participation in these group discussions nor did I feel that I was making a worthwhile contribution to the committee.

Mr. BLUM. Why did you make that decision?

Mr. MERCER. I made it on the basis of what I knew of our situation and, as I said, my knowledge of that was quite limited. But it appeared to me that our problems in Chile were more legal problems having to do with international law and the various agreements and contracts that Kennecott had with Chile.

Mr. BLUM. And you believed those problems could be settled outside of the framework of the ad hoc committee by normal legal processes?

Mr. MERCER. That was my conclusion, yes, sir.

Mr. BLUM. There are some suggestions in the memoranda which I raised before in the questioning of Mr. Quigley, that Mr. Merriam arranged these meetings as a convenience for Anaconda to make it possible for Anaconda and Kennecott to talk to each other. Do you have any reaction to that comment? It was in a memorandum of Mr. Guilfoyle's and there were other references to that.

Mr. MERCER. No; I have no reaction to it. As a matter of fact, I was not aware of that until it came out in the hearings here.

Mr. BLUM. Mr. Chairman, I have no further questions at this point.

Senator CHURCH. I take it then, that after a time you broke off participating in the ad hoc committee?

Mr. MERCER. To my knowledge, Senator Church, it was after the second meeting.

Senator CHURCH. After the second meeting you broke off further participation. And, to your knowledge, did the Kennecott Co. continue to participate in any way in the ad hoc committee or in any joint effort with ITT or other companies directed toward affecting the outcome of the Allende election or the installation of Allende as President of Chile?

Mr. MERCER. Certainly not, so far as I was concerned, and to my knowledge, no one else did.

Senator CHURCH. Very well, thank you very much.

Is Mr. William Foster here?

Mr. William Foster.

Very well, that completes our list of witnesses for this afternoon, and the hearing stands adjourned until 10 o'clock tomorrow morning.

[Whereupon, at 4:50 p.m., the hearing was recessed, to reconvene at 10 a.m., Wednesday, March 28, 1973.]

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**THE INTERNATIONAL TELEPHONE AND TELEGRAPH  
CO. AND CHILE, 1970-71**

**WEDNESDAY, MARCH 28, 1973**

**UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS,  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
Washington, D.C.**

The subcommittee met, pursuant to recess, at 10 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church (chairman), presiding.

Present: Senators Church, Fulbright, Pell, Case, Aiken, and Percy.  
Also present: Mr. Levinson and Mr. Blum, of the subcommittee staff.

Senator CHURCH. The hearing will please come to order. Our first witness this morning is the Honorable John M. Hennessy, the Assistant Secretary of the Treasury for International Affairs.

Mr. Hennessy, will you please stand and be sworn? Do you swear that all the testimony you give in these proceedings will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HENNESSY. I do.

Senator CHURCH. Please be seated. I understand, Mr. Hennessy, that you have a statement, which was submitted in accordance with the rules of the committee. If you wish to proceed with the statement, we will question you afterwards.

**TESTIMONY OF HON. JOHN M. HENNESSY, ASSISTANT SECRETARY  
OF THE TREASURY FOR INTERNATIONAL AFFAIRS**

Mr. HENNESSY. Thank you, Mr. Chairman. I would like to read it, if I might.

**STATEMENT OF MR. HENNESSY**

Mr. Chairman and members of the subcommittee: You have asked us to review the record of lending to Chile by the international development institutions since November 1970, when Salvador Allende was elected President of Chile. You have also asked me to comment on the contacts between the Treasury Department and the International Telephone and Telegraph Corp. and any role that company may have played in influencing Treasury Department views in this area.

There are three international development lending institutions from which Chile or Chilean nationals are eligible to borrow. These are the World Bank, the International Finance Corporation [IFC] and the Inter-American Development Bank [IDB]. Chile is not eligible to

borrow from the International Development Association, since lending by this institution is limited to the poorest of the developing countries.

#### RECORD OF INTERNATIONAL LENDING TO CHILE

The record of international institution lending is as follows:

In the World Bank, just before the close of its fiscal year in June 1970, three loans were made to Chile totaling \$18.9 million. Subsequently, monthly reports of projects under consideration circulated to the executive board of the World Bank and IFC show that at various times a total of eight projects involving possible loans to Chile or its nationals were under review. These reports to the executive board also disclose that no loans are now under active consideration.

In the Inter-American Development, IDB, operations reports to the board of directors indicate that two loans were under consideration by the staff in the pre-November 1970 period. Both loans were for educational development—one of \$7 million to the Universidad Catolica de Chile and another of \$4.6 million to the Universidad Austral de Chile. These loans were brought before the executive board of the bank and were approved on January 14, 1971. No loans have been made by IDB to Chile since that time. The Bank staff now has a number of investment proposals under technical review.

In years prior to 1971, Chile had been a major recipient of development assistance provided through the multilateral lending institutions. Since their inception Chile has received over \$270 million in loans from the World Bank Group and \$312 million from the IDB. The major decline in lending is explained by a number of factors.

#### AWAITED NEW ECONOMIC PROGRAM

Initially, with a new government coming to power in Chile on a platform calling for far-reaching changes in the economic structure of the country, it was appropriate for the development banks to wait until the new administration's development program had been formulated before commencing new lending programs. The banks place great emphasis on the economic and financial condition of the borrower in making loans, and had to be concerned about how the proposed structural changes would affect the Chilean economy, and its ability to utilize and repay foreign borrowings. Their charters make the assurance of repayment an explicit requirement.

#### POOR PERFORMANCE OF CHILEAN ECONOMY

In point of fact, over the past 2 years the performance of the Chilean economy has been poor and a major reason for the present lack of new lending by the international development institutions. This was brought into sharp focus by World Bank President Robert McNamara at the meeting of the United Nations Economic and Social Council in October of 1972. McNamara stated that a primary condition for bank lending which Chile had failed to meet was a soundly managed economy with a clear potential for utilizing additional funds effectively.

McNamara further indicated that rampant inflation, a balance of payments deficit of \$370 million for 1972, and successive annual losses in net foreign exchange reserves, even after Chile had suspended most payments on its external debts, were grounds for the Bank's decision not to initiate new projects in Chile. He made the further point that no amount of external financial assistance could substitute for needed internal measures and under present conditions it was simply impossible for Bank funds to be used productively for the benefit of the Chilean people and with reasonable possibility of repayment which the Bank's Articles of Agreement required.

Thus, if for no other reason, the international development banks have not been lending to Chile because of problems of credit worthiness. But there are two other factors—debt repayment record and fulfillment of international obligations—which also apply to this situation.

#### GENERAL DEBT REPAYMENT PROBLEM

In the case of Chile, there is a general debt repayment problem and particular problems of debt repudiation. In November 1971, Chile declared a unilateral moratorium on its external public debt, due to its precarious balance of payments situation. Although a multilateral agreement was reached in April 1972 on rescheduling of 1971-72 maturities, Chile is again in default on repayments due in 1973 and is behind schedule on repayments to certain of the international institutions.

In addition, there are two cases of actual debt repudiation. Chile has repudiated a \$153 million debt owed to the Anaconda Copper Corp. It has also unilaterally disallowed \$8 million of a Government-guaranteed debt to the Kennecott Copper Co., and it has recently defaulted on payments on the remaining debt to Kennecott that was assumed by the Overseas Private Investment Corp.

Any bank—whether for development or other purposes—must take importantly into account a country's situation on paying existing international obligations when considering the granting of new loans. When the most recent repayment record is questionable, common sense alone would dictate a go slow policy in approving loans.

#### REDUCED ELIGIBILITY BECAUSE OF EXPROPRIATION

Chile's eligibility for new loans has also been adversely affected by its expropriation without compensation of the Kennecott Copper Co. and the Anaconda Copper Corp., as well as the intervention of the International Telephone and Telegraph Corp. with the subsequently announced intention of expropriating that company. Adequate compensation is being effectively denied through the unprecedented and illegal deduction of alleged excess profits. Moreover, Chile has failed to provide the companies with any genuine mode of appeal of the Government's decisions—a clear denial of justice under international law. These actions are in violation of international law.

#### FORMAL WORLD BANK POLICY

Because of the importance of these two factors—debt repayment record and fulfillment of international obligations, especially those

concerning compensation for expropriation—the World Bank has developed a formal policy position on these two questions. The World Bank will not lend to countries that have defaulted on private debt obligations or expropriated foreign private investments without compensation unless there is evidence that satisfactory progress is being made toward settlement of the dispute. This policy came about originally because of the Bank's concern over defaults on external bond issues held by foreign private investors. The Bank felt that it had a direct stake in the principle of repayment on international bonds in view of its heavy reliance on private capital markets as a source of its own funds. The Bank's policy has evolved to include—for similar underlying reasons—situations where expropriation of direct investments takes place.

#### U.S. POLICY SIMILAR TO WORLD BANK'S

The United States has a policy similar to that of the World Bank. On January 19, 1972, in a statement on "Economic Assistance and Investment Security in Developing Nations," the President took the position that when a country expropriates a significant U.S. interest without making reasonable provision for compensation to U.S. citizens, there will be a presumption that the United States will not extend bilateral economic benefits to the expropriating country unless and until it is determined that the country is taking reasonable steps to provide adequate compensation or that there are major factors affecting U.S. interests which require continuance of all or part of these benefits. The same presumption applies to the multilateral institutions. In the face of expropriation without compensation, the United States will withhold its support from loans to the expropriating country under consideration in the multilateral development banks.

Congressional policy has also dictated a U.S. position in opposition to lending by the international financial institutions to countries that expropriate American-owned property without compensation. This is not a new concern but has run through the history of the U.S. foreign assistance program. You are all aware of the Hickenlooper amendment.

More recently, Congress has provided even more specific instructions affecting U.S. voting in international development banks in the form of the Gonzalez amendment, adopted in March 1972. That amendment requires a negative vote against loans to countries that expropriate American property without compensation unless compensation has been made, or good-faith negotiations are in progress leading to prompt, adequate and effective compensation under international law, or the dispute has been submitted to arbitration.

#### FORMALIZATION OF PRESIDENT'S POSITION

The formalization, through a policy statement, of the President's position on expropriation without compensation, as well as the expression of congressional policy contained in the Gonzalez amendment, can be explained in part by the expropriations that have occurred in recent years, including the Chilean expropriations. In dealing with this problem, it is necessary for the executive branch to follow the

situation closely and to obtain current information both from the American companies and the country involved. This is, in fact, required by the President's investment security statement and is inherent in the Gonzalez amendment which calls upon the President to make an assessment of whether good-faith negotiations aimed at providing compensation are in progress. Information comes to the United States from various sources—from foreign embassies and from our embassies abroad, among others. It also comes to the United States from direct contacts with American businessmen.

#### INTERAGENCY GROUP TO REVIEW EXPROPRIATION CASES

A procedure has been developed for dealing with the facts and opinions obtained from these information sources. An interagency group under the chairmanship of the State Department has been established under the Council on International Economic Policy to review expropriation cases and to recommend courses of action for the U.S. Government. In matters concerning votes in the international financial institutions, the advice of the CIEP group, as well as the National Advisory Council on International Financial Policies, is conveyed to the Secretary of the Treasury, to whom the President has delegated responsibility for instructing the U.S. Executive Directors on voting where Gonzalez amendment questions are involved. In the case of the Chilean expropriations, we have attempted to stay on top of factual developments and this has included contacts with all the American companies involved, including ITT.

In closing, I must emphasize that the decisions on U.S. Government policy in expropriation matters are strictly determined by the overall national interests of the United States. More specifically, as applied to the multilateral development banks, U.S. Government policy has been formulated on the basis of the longstanding policies of the institutions themselves, as well as by Presidential policies and congressional directives.

That completes my prepared statement, Mr. Chairman.

#### TREASURY CONTACTS WITH ITT

Senator CHURCH. Thank you, Mr. Hennessy.

You say on the last page of your prepared statement, "We have attempted to stay on top of factual developments, and this has included all the American companies involved, including ITT."

Did ITT specifically ask the Treasury to support a policy for cutting off the loans to Chile?

Mr. HENNESSY. The contacts we had with ITT over a number of months through this entire period leading up to the intervention of ITT in November of 1971 were primarily designed to obtain information—what were the facts, what was going on, what was the situation? A good deal of that was not done directly by the Treasury Department. That is more normally done through the State Department.

I myself had a series of contacts, communications with the people of ITT, primarily with Mr. Neal of the Washington office. The major thrust of these contacts was to provide us with their side of the story, what was happening. Quite clearly, after the intervention, ITT was concerned with what the U.S. Government response would be, whether

the various congressional directives would be implemented or not, and it was quite clearly their opinion that Chile made itself ineligible for international lending as a result of its actions.

#### ITT CONTACT PRIOR TO POPULAR ELECTION

Senator CHURCH. Can you tell us what contact ITT had with your Department prior to the election of Allende?

Mr. HENNESSY. I assumed you would ask this question, Mr. Chairman, and I looked back to my own call sheets and calendars, which were not entirely satisfactory.

I would say prior to that time there were five or six contacts with myself. At that time, I was Deputy Assistant Secretary, and my predecessor as Assistant Secretary was John Petty. I believe there were one or two contacts with him by phone, short conversations. I believe that Mr. Geneen paid a visit to Secretary Connally but that was subsequent to the intervention, but that I cannot answer factually on the last one.

Senator CHURCH. That was subsequent to what?

Mr. HENNESSY. That was subsequent to the actual intervention. You are asking before the election?

Senator CHURCH. Yes.

Mr. HENNESSY. Before the election. The contacts with ITT before the election, to the best of my recollection, had primarily to do with some other problems they were having at the time in Ecuador with an investment dispute taking place with their cable, I guess the All American Cables & Radio Co., at that time. To the best of my recollection and knowledge there were not any contacts with regard to Chile with my Department.

Senator CHURCH. With your Department?

Mr. HENNESSY. Yes, with myself or my Department.

#### DEBTS REPUDIATED BY CHILE

Senator CHURCH. In your statement you say that Chile has repudiated two private debts, one to the Anaconda Co., and the other to the Kennecott Co. ITT is not on that list.

Mr. HENNESSY. Not on the list of the repudiated debts, although there is about \$40 million owed ITT by the Chilean Telephone Co. Their dispute goes to the equity question. We make a distinction between actual notes and obligations which the Chilean Government has signed—and which were the note obligations they repudiated—and the equity, the capital stock, the physical assets of the companies.

In addition to the debt in Kennecott and Anaconda, there are also equity claims there just as there are with ITT.

#### GENEEN MEETING WITH CONNALLY

Senator CHURCH. You mentioned a meeting between Geneen and Secretary Connally. Do you know whether that meeting concerned Chile?

Mr. HENNESSY. I am not aware of the substance of that.

## DECISION TO TERMINATE CREDITS TO CHILE

Senator CHURCH. Mr. Hennessy, I have no quarrel with the policy of terminating credit in cases where a government's performance is no longer creditworthy. I would like to know, however, when the decision was made to terminate credit to the Allende government. Your statement shows that only two loans were made to Chile following the election of Allende. I think they were educational loans—\$7 million to the Catholic University of Chile and \$4.6 million to the University de Austral—and I am informed that these loans had been promised to the previous regime.

Other than these two loans that were made in January of 1971, no credit was extended to Chile following Mr. Allende's election. Is that correct?

Mr. HENNESSY. That is correct, Mr. Chairman. There were only two loans—we are referring now to the international institutions, the World Bank group and the Inter-American Development Bank. The only loans made to Chile since November of 1970 were these two loans you refer to.

Mr. LEVINSON. Those are two Inter-American Development Bank loans.

Mr. HENNESSY. Made in 1971 to universities, to independent universities.

Senator CHURCH. Apart from those two loans—

Mr. HENNESSY. There has been no lending.

Senator CHURCH. There has been no lending to Chile.

Mr. HENNESSY. That is correct.

Senator CHURCH. I only want to find out when the decision was made not to extend further credit upon Mr. Allende's election. Can you give us some information concerning when these decisions were made since no loans, in fact, other than these two have been extended to Chile from the time Mr. Allende became President? I just want to get the timing.

Mr. HENNESSY. Surely.

## DISTINCTION BETWEEN BILATERAL AND MULTILATERAL LOANS

Let me make a distinction between phasing down the U.S. bilateral program, which is not under the Treasury.—as I said, the U.S. Government does make a decision, because that is bilateral—and in the multilateral institutions, where the ultimate judgment is up to the management of the banks.

Senator CHURCH. Yes.

Mr. HENNESSY. What I referred to in my statement, which is normal when you have a new government assuming power and one which is at the same time trying to undertake new economic policies which are perhaps untried and unproven in experience, is for the bank management to require further analysis of the development program—what it is going to look like, the outline—before it goes forward with new lending. So I would assume there was not conveyed to the Board of Directors either of the World Bank or Inter-American Bank, that the decision was made at the time of the assumption, as it is with almost any new government, that they would wait to see the government's

program before they would push forward with new loans. That is a normal operating procedure of the banks. It is a normal banking principle.

Senator CHURCH. I do not mean to belabor the point, but there have been instances where credit is immediately extended to a new government, not only by our own agencies but by the multilateral institutions. I have in mind what happened in the case of the new government in Bolivia, when credit was immediately made available. It is not always necessarily the pattern to wait and see what the Government is going to do before giving credit.

#### DOUBTS RAISED BY ALLENDE PROGRAM

Mr. HENNESSY. The distinction I am making, the difference here is when far reaching new economic programs, when a whole new structural approach is about to be undertaken, and at the same time statements are being made about their international obligations, that there are going to be expropriations—those types of things raise doubts in the mind of any banker, and I am sure in the case of these banks' managements.

Senator CHURCH. You are telling us, there, that these multilateral banks,—the World Bank, the Inter-American Development Bank, the IFC—adopted a wait and watch attitude?

Mr. HENNESSY. That is correct, sir.

Senator CHURCH. By virtue of Allende's—

Mr. HENNESSY. Somewhat uncertain outlook, economic outlook.

Senator CHURCH. And by virtue of his viewpoint toward the companies.

Mr. HENNESSY. Toward—yes.

Senator CHURCH. And these multilateral banks later decided to extend no further credit when the Allende government had taken actions that, in the opinion of these institutions, rendered it no longer credit worthy. Is that correct?

Mr. HENNESSY. That is correct.

Senator CHURCH. Is that a correct summation of your testimony?

#### CREDIT WORTHINESS OF CHILEAN GOVERNMENT

Mr. HENNESSY. I think that is a correct one. On the credit worthiness, there are three hurdles or three thresholds: the first one is how they are managing their economy, and, as I referred to in my statement, at least the World Bank judgment is they were managing it poorly and, therefore, the banks under their constitutions, under their own articles of agreement, were restricted from making loans if there was doubt about the ability of the country to use them well. Development resources are scarce and the banks have to husband them.

The second threshold is their behavior on international debt obligations; and the third is how they are behaving in terms of international law, and particularly on compensation. Under these three criteria of credit worthiness, I guess the judgment of the banks at that time, at this time, and at the time we are referring to rendered them no longer credit worthy, to use your statement, although I guess with Mr. McNamara it is an explicit decision.



## 1971 CHILE GROWTH RATE SATISFACTORY

Senator CHURCH. In 1971, during the first year of the Allende government, was not the overall economic growth rate satisfactory? What I am referring to is the April 21, 1972, report of the CIAP Subcommittee on Chile. That report seemed to indicate that the Chilean economic performance in the calendar year 1971 was fairly satisfactory. It states at that:

The overall economic growth rate achieved in 1971, 8.5 percent, according to the latest official estimates, resulted in a 6.6-percent rise in the GNP per capita, a level significantly higher than that recorded in the preceding quinquennium.

It further states that:

In 1971 economic stagnation was overcome and a more equitable distribution of the benefits of economic growth was achieved.

And it summed up by saying:

In brief, the result of short-term economic policy in 1971 affected the achievement of growth redistribution and employment announced by the Government of Chile at the last meeting of the CIAP Subcommittee. The growth rate of prices was also reduced.

## LINK BETWEEN CREDIT CUT-OFF AND EXPROPRIATION

I take it, then, that the decision of the international banks during 1971 to extend no further credit to Chile was not based upon the economic conditions in Chile but rather upon the policies adopted by the Chilean Government in connection with the major companies.

Mr. HENNESSY. No, Mr. Chairman. As I think I pointed out, Mr. McNamara's statement, it ran back, it was not just the 1972 period when, of course, the deterioration did accelerate. In economic terms there was a higher growth rate in 1971 than there had been in the previous 2 or 3 years. I guess the question is, what price growth? There was a burst of consumption at the expense of future growth of the country. When the Allende government took over at the end of 1970, Chile had an all-time high of international reserves of close to \$350 million. By the end of 1971 Chile had squandered more than \$300 million of those reserves as a result of, quite frankly, its economic policies.

The money supply increased 114 percent in 1971. The deficit, the fiscal deficit, was 10 percent of the GNP. If we made an analogy between that deficit and our own we would be running a deficit in our budget of about \$120 billion. So it is quite clear they were excessively stimulating the economy and getting growth; but fixed investment was down 20 percent.

Senator CHURCH. Are you telling us then, Mr. Hennessy, that multinational banks decided to cut off further credit because of their concern about the general economic condition in Chile during 1971, or that they decided to cut off credit because of the policy adopted by the Allende regime toward certain large companies there?

Mr. HENNESSY. I would say they did not get over the first hurdle, so the banks probably did not get to the second and third, the debt problem and the nationalizations. I could refer to Mr. McNamara's remarks on this particular point.

## M'NAMARA STATEMENT ON CHILE

Senator CHURCH. Yes.

Mr. HENNESSY. At the ECOSOC meeting last year before the U.N. Council he said: "For a quarter of a century the Bank, [the World Bank] has followed a reasonable and consistent policy relating to the nationalization of properties, a policy which has been determined by its member government and which is founded on acceptable principles of international law. Whether or not Chile has acted in accordance with that policy has not been determined. That question has not yet arisen because the primary condition for bank lending, a soundly managed economy with a clear potential for utilizing additional funds efficiently has not been met."

And then he went on to illustrate his remarks.

Senator CHURCH. That would bear out the contention that the banks' assessment of the general economic conditions governed their decision to cut off credit? It was not necessary to proceed to the next hurdle since they did not surmount the first?

Mr. HENNESSY. That is correct, sir.

Senator CHURCH. Senator Case.

## GNP AS MEASURE OF ECONOMIC GROWTH

Senator CASE. Just one interjection. This raises a question that has interested me for quite some time. What you are really saying is that the measurement of Gross National Product is not necessarily a test of growth at all. It is a measure of consumption, is it not, and if a country decided to consume everything that it produces, it could apparently have an increased Gross National Product with an actual decline in development. Is that a fair statement?

Mr. HENNESSY. For a period of time. There would be a question of who would be willing to provide the savings—

Senator CASE. What I am trying to say is Gross National Product can be a very poor measure.

Mr. HENNESSY. Unless you look behind it, it can be a very poor indication and can be misleading.

Senator CASE. Yes, but it is generally accepted nevertheless as a great indicator all over the country and the world. We ought to do something about that concept of Gross National Product.

Mr. HENNESSY. I think, by itself, it can be very misleading.

Senator CHURCH. Senator Percy, do you have any questions?

## GOVERNMENT ATTITUDE TO CHILE DEBT REPUDIATION

Senator PERCY. I would like to ask Mr. Hennessy, and I think his testimony this morning has been very valuable, what is the attitude of our Government toward the two debt repudiations. The \$153 million to Anaconda and the \$8 million to Kennecott? What are we doing about that? What steps is the Government taking?

Mr. HENNESSY. These two debts, among others, have been the subject of a series of meetings among creditor nations which began in 1971. In November 1971 Chile declared a unilateral moratorium on all its debts and then all the creditor countries, there were some nine of them, UK, France, Belgium, Germany, et cetera, got together in

what is called the Paris Club. It is an informal group which meets when countries get into debt to discuss these particular problems. The Chileans were invited and negotiations took place beginning in January 1972 and ending in April of that year in which an agreement was reached with the Chilean Government to refinance a part of their debt. At that time we brought out our concerns on these two particular loans, as being particularly germane to the whole question of creditworthiness and the rescheduling of debts. In the April 1972 Paris Club statement, which is really an agreement reached by all the governments who were participating there, the Chileans agreed—if I may read from that agreement, Senator Percy—to recognize the validity of all debts that have been contracted or guaranteed by the Chilean Government, whatever the nature of the debt or the sector of activity concerned. In a subsequent article the creditor countries “called the attention of the Chilean Government to the importance which they gave to this declaration.”

Now, since that time, quite frankly, we have had a series of bilateral negotiations—or discussions. I really should not call them negotiations—trying to implement the agreement. We have had a series of discussions with them on the overall debt problem and on these two specific cases of repudiation. The Chilean Government is well aware of our rejection of their claim that they do not have to pay these. I must say we have not yet received, and, although we are in the process and have had discussions with them, we do not have any clear picture on their repayment. The most recent discussions were held last Thursday and Friday when a group came up from Chile and we did discuss these, and we are in a process sort of halfway between a discussion and a negotiation. I would prefer not to go too much into depth in the substance of those, because we are in this process; but our ability to recover these debts, as well as the equity which has been expropriated without compensation and which reaches upward of a half billion dollars, is a very serious question. We are trying to find a mechanism to resolve the issue with the Chilean Government. But it is not easy.

#### CHARGE OF EXCESS PROFITS

Senator PERCY. In the case of ITT, were there charges made by the Government of Chile before the Allende government, that there were excess profits being made by the Chilean Telephone Co., 70 percent of which is owned by ITT? They had members on the board, did they not?

Mr. HENNESSY. To the best of my knowledge there were not these claims at that time, but I was not either in Chile or that close to the particular situation. But is it true that they did have members on the Board at that time. They also had agreed, on a repayment schedule for the government's purchase of Chiltelco which, at least in the mind of that duly elected government, the Frei government, seemed to be a reasonable price to pay and seemed to be a reasonable result. Also, for the copper companies they had worked out what seemed to be a rather beneficial and attractive arrangement for the Frei government's point of view. This was one of their major platform issues of 1964, and they worked out a 51 percent participation agreement which allowed Chile to pay over a 12-year period on very generous terms. In other words,

to pay for 51 percent of the shares, they had quite a long time to do it and they were going to be able to do it out of the profits that were generated.

Now, it is curious to see that the period of so-called "excess profits" in the case of the copper companies was precisely the period when the Government of Chile was a partner and it was the time when there were high copper prices so that both the companies and the country benefited from the "excess profits." They thought they had a good deal at the time, and it still looks from our point of view that it was a good deal.

Senator PERCY. Taking into account the risks involved in this kind of investment, and the problems of operation, have you made any determinations at all as to the unreasonableness of profits that had been earned?

Mr. HENNESSY. Well, I guess we do not understand the concept, I myself personally do not understand the concept of excess profits because if someone goes in and loses his capital, no one says "It is an excessive loss and we will help you out". Excess profits is an interesting concept, but it is not one that we generally can accept.

Senator PERCY. Is there any precedent that you know of for the Allende government's rather novel and radical theory that they will retroactively declare profits that had been made to be excess, and then fail to compensate a company for its investments, deducting those so-called excess profits?

Mr. HENNESSY. To the best of my knowledge, no, sir, with respect to the retroactive part, in particular. You do have contracts being renegotiated for the future, tax rates being renegotiated. This happens fairly regularly in international commerce and investments. But the retroactive application of excess profits—this is the first example that I can recall. In other countries they have retroactively applied taxes, which is a different concept. They say, "We are going to set up a new tax, we are going to charge you from recent past history". But "excess profits" as applied in Chile is a new technique, a new theory.

Senator PERCY. Would this be, in your judgment, a dangerous precedent if it were permitted to go unchallenged, without as forceful an objection as can be registered by our Government as well as by international organizations such as the World Bank and the Inter-American Development Bank, and so forth?

Mr. HENNESSY. I think quite clearly so. It is the basis of contract of rule by law. If you have a duly-elected government, which in this particular case was also a partner—in a corporation and apparently participating in the profits, and believing this is a reasonable and an attractive operation, and then to have this offset with a retroactive application of "excess profits," I think it is a very dangerous precedent and one which flies in the face of prior history and commonsense.

#### ALLENDE POLICY TO FOREIGN INVESTMENT

Senator PERCY. Do you know of any actions or policies by the Allende government that have, or could be said to have, actively encouraged foreign investments under suitable conditions in Chile? Are they trying to bring in new capital and do they by their stated policy need such capital invested in the country?

Mr. HENNESSY. I think there are three parts of it. The first, in due justice to Mr. Allende, I must say that some of the capital that they have nationalized has been compensated. At the same time, they have said they do want certain types of foreign investment, certain types of high technology. But I think it would be unreasonable, if not naive, to think that on the one hand you are taking over sectors and not compensating and still think that new capital is going to flow in. At least, in our analysis of the Chilean economic deterioration, the lack of capital flows has been one of the major factors in Chile's not being able to sustain, over a longer period of time, a growth which is sufficient. Chile got a lot of public and private capital for a long period of time. In the President's statement regarding our policy on compensation for expropriated property there was particular emphasis given to the fact that this went hand in glove with economic development, and that public capital cannot carry the entire burden of development. You have to depend to a rather large extent on private capital which is quite expandable whereas public funds are scarce. It is this very scarce commodity that gets scared away easily by actions such as this. In the Chilean case it is quite clear that new private investment from Germany, from Japan, from countries that have excess reserves, is simply not flowing there; so, in a sense, their development is being affected as a result of these actions.

Senator PERCY. If the present Government is taking steps that would, by any rational understanding, act as a deterrent to the flow of capital and if it were taking actions that would make it ineligible by the rules of the game to receive soft window loans from various sources that they should be looking to for assistance and help, could it be that there is either a lack of understanding, which I cannot really believe, or an attempt to really discourage any such type of investment? Could it be that they intend to depend upon some other source of capital that might not be available through the institutions with which we work, and with which Chile has traditionally cooperated?

#### ALTERNATIVE SOURCES OF FOREIGN CAPITAL

Mr. HENNESSY. I think there is quite an explicit and announced decision to socialize the major part of the economy, which does mean that they will not normally have the benefit of the foreign private flows.

If there were not these problems, if the economy was socialized but they still had a good economic performance and had met all their debt obligations and had paid compensation, I think they would be eligible for certain loans by, for instance, the World Bank, which does make loans to Yugoslavia and to other members in good standing. But they would certainly be cutting themselves off from all private flows, which is, as I say, the most expandable and tends to be the most dynamic, and I think this growth strategy is what raised many questions in the minds of the people who are to consider their program and whether new loans in the institution should be made at the outset because it did not seem to be terribly well founded.

## CLAMPDOWN ON LENDING MIGHT FORCE ECONOMIC CONTRACTION

Senator CASE. Mr. Chairman, would the Senator yield for a moment? Is it not a question of which is the chicken and which is the egg? If on Allende's accession there was a clampdown on lending and, generally speaking, American assistance, might that not have required Chile to contract its economy and live on its own resources which, in turn, made it unattractive for normal capital inflow? In this connection, within our Government, was there a discussion of the desirability of making things tough for Chile? Was there any discussion? Did you personally participate, with any colleagues in our Government, in regard to this particular matter? Did you hear anybody suggest it in any governmental conference?

## TREASURY EFFORTS TO DEFEND U.S. INTERESTS

Mr. HENNESSY. There were certainly many discussions held, Senator Case, before and after Mr. Allende came to government which related to from the Treasury Department's point of view, whether they were eligible for loans, what actions might be taken to defend the U.S. interests in Chile. In public loans we have close to \$1 billion, and in private capital there is. I think, close to another \$1 billion between debt and investments, so it was quite clear that the U.S. Government directly, and in the nature of espousing the claims or looking after the claims of its nationals, had a rather large stake. So quite normally and quite naturally there were a lot of intergovernmental meetings held to discuss what could be done with Chile to protect these particular interests which were there.

If the case arose that Chile was not going to honor them—and, quite frankly, there is not much that the U.S. Government can do besides make sure that they live within the rules of the game and within bank policies. So that in terms, at least, of the discussions which I participated in, which dealt primarily with the international lending aspects, it was quite clear to us that if they took these actions they would be outside the rules and that we should be quite explicit in our views in the banks, conveying through our executive director on the board that if they were living outside the rules of the game then they should bear those consequences. But we were not party to any grand plan to—

Senator CASE. I am asking you personally about your experience; I am not talking in general terms about what our Government was or was not doing. What was your experience with your colleagues in the Government and in our relations with international organizations? Was the matter discussed, say in 1970 or early 1971, when there had been no evidence that Chile was not honoring her obligations. What evidence was there of that?

## TWO LOANS HALTED

Mr. HENNESSY. In November 1970 the copper amendment was introduced in the Chilean Legislation which did raise doubts but it was quite clear that no one at that time was going to say they were guilty before they were so proven. I think the proof of the pudding is in the eating. When the two loans came up in the IADB in January, 1971,

there was a major policy discussion in the U.S. Government. Now it is clear the loans were looked at and examined under the prior regime but it was also quite clear in early January that there were grave doubts about which direction the economy would be taking, how well it would be managed, whether there would be nationalization without compensation. Nevertheless, an explicit decision was taken that the benefit of the doubt would be given to Chile, and the U.S. Government actually supported these loans. Quite frankly, in subsequent testimony before both the House Banking and Currency Committee and Foreign Affairs Committee, they had called us to task in the Treasury—the Secretary of the Treasury is the ultimate one to give the instruction—that, given all the clouds on the horizon and the declarations at that time, we had been so permissive as to let \$11 million worth of new loans be granted to Chile.

The President had made a statement shortly after those loans were approved that we would have those relations with Chile that Chile wanted with us. There was no underlying ideology or anything else.

Senator CASE. Those were really not new loans. They had been arranged before.

Mr. HENNESSY. Until a loan comes to the board it is not a new loan in the sense that they did not generate it 2 days before. They had been working on it for 6 months to a year, but until it comes up for approval, the governments do not decide whether they will approve it or not. That is the time when you either vote a loan up or down. And it is quite clear we had the option to disapprove the loan. It was through the Fund for Special Operations where the U.S. has a veto because we have 40 percent of the vote and two-thirds is needed to carry FSA loans. So it is quite clear we could have stopped the loan and, as I say, we debated that issue and felt that the burden should be on their side. Actions had not been taken.

Senator CASE. It would have been a rather striking thing, though, and a rather sharp rebuke to turn down a loan that had been processed that far.

Mr. HENNESSY. It certainly would have been, yes.

Senator CASE. And more so than if it were a matter of deciding after the elector whether Chile was going to be a good risk over the years. So it was a little bit special, was it not? I mean, those particular loans did not indicate necessarily a permanent policy on our part in support of this new regime, I take it.

Mr. HENNESSY. That is correct.

Senator CASE. Rather sort of winding up.

Mr. HENNESSY. Our idea was to let it evolve. We wanted to participate in the financial, economic relations they would take.

Senator CASE. I have no preconceptions at all but am just trying to find out the facts.

Mr. HENNESSY. That is right.

Senator CASE. And the facts do require, it seems to me, some quite persuasive explanation to cover these credits and that is why you are being pressed today. We want to know if in addition to sound business reasons, as my colleague from Illinois suggested, whether there were other factors involved of political and economic pressure. That is why we are putting you on your honor and oath to tell us about it.

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Senator PERCY. Mr. Chairman, I have just one more question and then I will be finished.

Senator CHURCH. Yes.

#### EFFECT OF OUTSIDE PROVOCATION ALLENDE STRENGTH

Senator PERCY. Secretary Hennessy, I am not sure this is an appropriate question for you. It may be more appropriate for the State Department, but I would like to put it to you anyway. Taking into account that our society is an open society, it is more difficulty for us to operate clandestine operations than for some other forms of government. Taking into account the knowledge that we have a free and inquiring press, coequal branches of government, and a free enterprise system which allows private corporations to move as we have seen, what is your judgment concerning all of the publicity that has been given first, of course, by the press—stories have been carried in 700 newspapers, including those all over Chile—that there were attempts to prevent the constitutional process from operating in Chile, that there were discussions of cutting down on loans, and an attempt to create economic chaos, such as through the runs on banks and so forth? Is it your judgment that all of this, now having come out, aside from the question of who was responsible for or who should be blamed or praised, that the reverse of what was sought from all those operations has taken place and, at this time in history, the Allende government is stronger domestically because of this. Has it been able, as a result, to carry out its policies with the support and backing of more of its people than there would have been if there had not been this outside influence?

Mr. HENNESSY. I think that particular matter should fall more within the realm of the State Department. I do not have any particular expertise. That is our Ambassador's on the ground there, and the State Department follows those matters more closely than we do.

Senator PERCY. Well, as a man in our Government who follows these matters very closely and as one of the more knowledgeable people we will have before this committee, would you care to give your own personal judgment and opinion as to how this has turned out now?

Mr. HENNESSY. Well, here again, it is hard to distinguish the personal from the official viewpoint. But it is clear from the terms of discussions we had over the year with Chile—I was head of the delegation to the Paris Club and we engaged in direct negotiations there and subsequently bilateral negotiations here—and the particular publicity given to the ITT case has been one which had made it perhaps more difficult to reach a solution, an overall solution, which at one time, let us say a year ago, looked more promising than it does now.

Senator PERCY. Would you characterize this particular situation as a most unusual one and not in your judgment, reflective of the practices that have been followed by multinational corporations in many other countries?

Mr. HENNESSY. I would reserve judgment on what they have or have not done. But assuming that something has been done of the nature that is being alleged, I think it is quite clear that it would be—at least in my own experience, and I can only speak for that—that it would be quite unusual.



Senator PERCY. I think that this testimony is a most important contribution.

Thank you, Mr. Chairman.

Senator CHURCH. Senator Case.

#### U.S. POSITION ON MULTILATERAL LENDING TO CHILE

Senator CASE. Just to follow up my own earlier questions, Mr. Secretary, did you personally give any instructions to any of our representatives on these international lending agencies to go slow on credits to Chile?

Mr. HENNESSY. Well, let me see if I understand the question. Did I give instructions, or the U.S. Government, give instructions to our Executive Director or directly to the Bank, because we operate through the medium of our Executive Director.

Senator CASE. Yes, I understand.

Mr. HENNESSY. It was quite clear both through them and often directly to top management in the Bank. We were making our views known on (a) the economy and our analysis of what that was, (b) the situation on debt, and (c), on compensation issues at any given point in time. So in that sense, I think you can say the Bank's management was clearly aware of our—of all of their member governments—points of view on this issue. They normally poll them, and they were quite clear on our point of view on this.

Senator CASE. The question is not whether we did it, whether you did it.

Mr. HENNESSY. OK, is the question that I cannot tell the Bank to go slow? I can tell them to go slow and I can tell them not to make any loans.

Senator CASE. You can, but did you, and whom did you talk to?

Mr. HENNESSY. I did not tell them to go slow. Here again, I am just trying to recollect that particular period.

Senator CASE. Sure, take your time.

#### INTERNATIONAL BANKS KEPT INFORMED OF U.S. VIEW

Mr. HENNESSY. Yes. What we have done over the course of the last couple of years, is to keep the Banks' management—through our Executive Director—aware of our opinion of the credit-worthiness of the country, and our conclusion on that is that they would not be eligible. If that is what you mean "tell them to go slow," yes. I think the Bank makes a judgment of its own as to whether these facts are true or not.

Senator CASE. I do understand it so far and, of course, I accept that. Now, I shall ask you again, if I may, do you recall at any time you personally speaking to any individual who is our representative on these institutions and saying, "go slow"? I am just trying to reconstruct a picture of how you operate. You do not operate in a broad "we" sense, you operate day-to-day individually.

Mr. HENNESSY. That is right. Throughout all this period of time. I think I am being forthcoming. Maybe we are not communicating.

Senator CASE. Sure.

Mr. HENNESSY. What I am saying is we were giving our point of view to the Bank through our Executive Director. There were these three problems which we saw, three criteria which we thought they were not living up to, and that, therefore, they were not eligible. Now we do not have to tell them to go slow. If they agree with that they do not—I assume in their own judgment—they do not make loans.

#### CHILE CONSIDERED NOT CREDIT WORTHY

Senator CHURCH. So the position of our Government was that the state of the economy in Chile was such that Chile was not credit worthy, and that no further loans should be made owing to the general condition of the economy. Is that correct?

Mr. HENNESSY. That is correct.

#### MILITARY CREDITS CONTINUED

Senator CHURCH. If that is correct, why did we extend a \$10 million loan to the Chilean military in 1972? Was the Chilean military more credit worthy than the other part of the Government, for military apparatus?

Mr. HENNESSY. That is a different organ in the U.S. Government, but I will not use that as a reason. The decision to go forward with that particular credit was made in the context of some ongoing negotiations in a ongoing equipment program made with the Department of Defense.

Senator CHURCH. I am sure it was. But if it was the policy of the Government not to extend more credit because the general economy was not credit worthy and we had no reasonable basis to expect the repayment of the credit of the loans, was it not inconsistent to extend loans to the Chilean military as apart from the civilian parts of the Government?

Mr. HENNESSY. Unless it was part of an ongoing type of commitment, or the amount being so small, you felt that at the margin it would probably be a pretty good chance you were going to get it back. But there is some inconsistency there.

Senator CHURCH. There is some inconsistency there, I would think.

Senator CASE. From the economic point of view it is entirely inconsistent. The credit of Chile was no better for the purchase of military equipment than it was for any other products, I take it, from the economic standpoint.

Mr. HENNESSY. Economic and financial.

Senator CASE. Yes; was the U.S. Government interested in getting its money back or getting some value from the transaction in terms of strengthening one segment of the Chilean community as opposed to another? I am speaking specifically of the Chilean military. But that was not your responsibility, I take it. You did not make that decision or did you?

Mr. HENNESSY. I did not make that decision, that was the Department of Defense.

Senator CASE. You were not asked about the credit aspect?

Mr. HENNESSY. Yes, we were involved in the credit aspect. The Treasury has to sign off on a loan like that.

Senator CASE. What did you tell them?

## TREASURY QUESTIONED ABILITY OF CHILE TO SERVICE DEBT

Mr. HENNESSY. We raised, I think, some questions about the ability of Chile to service this. Given the amount and the circumstances of, as I understand it, of this being part of an ongoing longer term program whereby we provided Chile over a longer period of time with the equipment—they need the spare parts and the rest—it would have been almost a negative position if they stop providing these things because then they would not have had spare parts and other things. So given the amount of that we felt there was, I guess, a reasonable chance, given the small amount, of getting the money back.

Senator PERCY. Could we put in the record at this point, the amount actually involved and the terms?

Senator CHURCH. It was \$10 million, according to our information.

Mr. HENNESSY. Yes, \$10 million, I think repayment over 8 years, something like that.

Senator CASE. I see. Has that loan been serviced or has there not been—

Mr. HENNESSY. I think there is a 1- or 2-year grace period so I assume no payments have been made.

Senator CASE. No payment under its own terms?

Mr. HENNESSY. That is right.

Senator CHURCH. Gentlemen, I do not like to press the committee, but we do have a number of witnesses and we are quite behind our schedule.

Senator CASE. I just have a couple of more questions, Mr. Chairman, that should not take more than a minute, if I may.

Senator CHURCH. Certainly.

## CONSIDERATION OR ALTERNATIVE POLICY TO CHILE

Senator CASE. It is easy enough for us sitting up here to have the wisdom of hindsight that this did not work very well and maybe something else could have been done, so I am perfectly humble about that. But I am still interested in whether in that first period after the Allende election a different course than clamping down at once would not have been possible. Was there not any time in which discussions of refinancing Chile's big debt might not have been a fruitful thing? What was the discussion in our government about this?

Mr. HENNESSY. I would think we leaned over backwards, particularly taking into account the domestic pressures were such that were building up—

Senator CASE. You mean the pressures here?

Mr. HENNESSY. Within the United States, yes, and within the U.S. Congress. The Treasury testifies quite often on questions of appropriations for multinational institutions and we, I think, correctly, took a low profile, passive attitude in this particular case. Some people have drawn an analogy in the difference in this case and the one in Cuba. I think the U.S. Government has acted entirely properly and with a certain amount of prudence but we have been criticized on both sides taking the two particular—

Senator CASE. I understand it.

## OLD LOANS CONTINUED

Mr. HENNESSY. I think it is a delicate balance to strike. We held out the hand, continued to hold out the hand, and quite frankly, within the institutions, if they were willing to live up to the rules of the game, that is fine with us. We make a distinction between the aggrieving and the aggrieved in this particular case and no actions were taken on our part and, quite frankly, the banks, of course, continue to disburse on old loans and there is an enormous amount, totaling hundreds of millions of dollars that are still being disbursed under past loans. These are development loans, building roads, dams, and it takes a long time to build a dam, to build a road, and so the banks have continued to disburse. The United States has not tried, nor have other governments, interrupted that. That would certainly be clearly a very aggressive act. We have not tried to do it under the charters. So from our own point of view, we have behaved correctly and in a balanced way; and we were criticized by both sides.

Senator CASE. I just want to make it clear. You say great amounts of money. Do you mean millions, tens of millions, hundreds of millions are continuing to be advanced by these international institutions?

Mr. HENNESSY. From past loans, I think perhaps \$200 million has been disbursed to Chile.

Senator CASE. During the last 2 years?

Mr. HENNESSY. Since Mr. Allende came to office, that is correct.

Senator CASE. It would have been possible, I suppose, to stop it, would it not?

Mr. HENNESSY. If one interpreted narrowly some of the provisions one could perhaps make a case for that. At the present time, Chile is in default with a couple of the institutions on its loan agreements. If that default carries forward for a certain period of time, they can be obligated to interrupt disbursements. They have interrupted disbursements to other countries on similar occasions where they have not been servicing their debt appropriately. But I think they are some \$6 million in arrears to the institutions and, as I say, they are banks, and use banking principles so if you are behind schedule on your payment it would be normal then, to go slow on new disbursements. But that has not occurred and I think Chile is now trying to bring those up to date with these institutions.

Senator CASE. Thank you, Mr. Chairman.

## AMOUNT STILL DUE ON LOANS TO CHILE

There is just one point I would like to have you put in the record: The schedule of the amounts still due to be loaned to Chile or advanced under existing commitments by the several international organizations, and by our own Government.

Mr. HENNESSY. I will provide that for the record. I have the two figures here: To date from 1970 through 1972, \$125 million is the exact total of what has been disbursed by the IADB and the IBRD.

Senator CASE. Since when?

Mr. HENNESSY. That includes 1970, 1971, and 1972. For the years 1971 and 1972 the total is \$73 or \$74 million. For the next 3 years there will be disbursements under existing loans—past loans which were

granted and are now being implemented as they carry the projects forward—of another \$80 million.

Senator CASE. Will you provide that schedule?

Mr. HENNESSY. I will provide that.

[The information referred to follows:]

IFI—ESTIMATED FINANCIAL FLOWS TO CHILE

[In millions of dollars]

	1973	1974	1975
<b>Estimated disbursements to Chile by:</b>			
IBRD.....	10.0	10.0	5.0
IFC.....			
IDB/OC.....	4.1	1.5	.5
IDB/FSO.....	20.5	20.0	7.9
<b>Total.....</b>	<b>34.6</b>	<b>31.5</b>	<b>13.4</b>
<b>Estimated repayments by Chile to:</b>			
IBRD.....	14.7	16.3	16.3
IFC.....	1.9	2.0	2.0
IDB/OC.....	12.9	12.1	11.7
IDB/FSO.....	8.7	9.7	12.1
<b>Total.....</b>	<b>38.2</b>	<b>40.1</b>	<b>42.1</b>
<b>Net flow.....</b>	<b>-3.6</b>	<b>-8.6</b>	<b>-28.7</b>

Source: IFI's.

	IDB		IBRD	IDA	Total
	OC	FSO			
<b>Disbursements:</b>					
1970.....	7.4	16.7	27.2		51.3
1971.....	8.9	22.5	17.5		48.9
1972.....	3.4	13.7	8.6		25.7
Total.....	19.7	52.9	53.3		125.9
<b>Repayments:</b>					
1970.....	5.9	2.8	8.0		16.7
1971.....	7.1	4.3	6.2		17.6
1972.....	6.5	5.2	5.9	0.2	17.8
Total.....	19.5	12.3	20.1	.2	52.1

Note: All figures in millions of dollars or dollar-equivalent.

Source: U.S. Treasury/MPO.

[Additional information on aid flows appears in Appendix I, pp. 531-33.]

Senator CASE. Thank you.

QUALIFICATION OF UNITED STATES FOR LOANS

Senator CHURCH. I think, Mr. Hennessy, that you have given us a very good synopsis of the policy adopted by the multilateral banks. Since you are a member of the Treasury, could you answer a question? Their decision rested upon an assessment of the unsatisfactory economic conditions in Chile. What would be our position, given our own spiraling national debt of \$25 billion a year, an inflation which is currently going on at the highest rate in the past 22 years, and the devaluation of the American dollar twice in the last 14 months? Would we be eligible for a loan from one of these banks? [Laughter.]

Mr. HENNESSY. You mean from an economic point of view. We are not eligible, anyway, because of the charters of the banks, I am afraid. [Laughter.]

Senator CHURCH. All right. Thank you, Mr. Hennessy.

Our next witnesses are Mr. George J. Clark, of the First National City Bank and Mr. Ray Lillicotch, of the First National City Bank, New York City. I understand that you gentlemen have prepared statements that have been submitted in accordance with the rules of the committee, so you may read them. But first, I would like both of you to stand and be sworn, please. Do you swear that the testimony you will give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CLARK. I do.

Mr. LILlicOTCH. I do.

### **TESTIMONY OF GEORGE J. CLARK, SENIOR VICE PRESIDENT, FIRST NATIONAL CITY BANK, NEW YORK CITY**

Senator CHURCH. Thank you, gentlemen, please be seated.

#### **STATEMENT OF MR. CLARK**

Mr. CLARK. Mr. Chairman and members of the subcommittee. I am George J. Clark, senior vice president, First National City Bank, New York City. From the bank's main office in New York I supervise our activities on the South American Continent, a position I have held since 1969. Consequently, I was in charge of the New York supervision of our Chilean activities during the electoral period when Dr. Allende became President of Chile in 1970. Mr. Raymond Lillicotch, who is accompanying me today, was our senior officer resident in Chile at that time, reporting directly to me.

In order to place our position in perspective, you should know that First National City Bank opened its first branch in Santiago in 1915, and therefore, we had over 55 years of experience in Chile. By 1970 we were operating eight branches in Chile, and we had 406 local employees, of whom all were Chilean nationals except Mr. Lillicotch. Our Chilean bank had total deposits of \$30 million, and our local balance sheet showed a net worth of \$3 million. In addition, we had outstanding from outside the country, dollar loans to the Chilean Government, private local firms and Chilean individuals totaling some \$30 million.

#### **PRINCIPALS OF BANK BEHAVIOR**

First National City Bank has operated branches in most Latin American countries for over 50 years, under a variety of circumstances, and we regard ourselves as rather knowledgeable about local political, economic, and social systems. I have been requested to outline the principles that govern First National City Bank's operations in Latin America, which parallel our principles for other parts of the globe. These may be summarized as follows:

1. We must never lose sight of the fact that we are guests in foreign countries. We must conduct ourselves accordingly. We recognize the right of governments to pass local legislation, and our obligation to conform.

2. Under these circumstances, we also recognize that we can survive only if we are successful in demonstrating to the local authorities that our presence is beneficial.

3. We believe that every country must find its own way, politically and economically. Sometimes we feel that local policies are wise; sometimes we do not. However, irrespective of our own views, we try to function as best we can under prevailing conditions.

4. We have always felt free to discuss with local governments matters directly affecting our interests, but we recognize that they have final regulatory authority.

We did what we could to try to convince the Chilean authorities in 1971 that it was in their interests to maintain our presence locally. But we always concluded our conversations by adding that, in the last analysis, if they insisted upon our departure, we would not attempt to contest that decision.

#### SUCCESS OF PRINCIPLES

The bank's principles in this regard are long standing, and it appears that they have stood the test of time. I say this because, even though we have been operating around the globe for over 55 years, we have never been singled out to leave any of the 90-odd countries in which we operate. In only very few instances—six in number over that 55-year period—have we been closed out locally, and then we were closed only because of a general bank nationalization program. Our first such experience happened in Russia in 1917, and subsequently we faced similar situations in China, Indonesia, Egypt, Cuba, and Chile. Basically, nationalization is an exception to our international experience. We plan for long-term constructive and politically neutral local operations.

The nature of our activities around the world makes it possible for us to implement this policy of neutrality and adaptability. As a bank operating locally in a foreign country, most of our investments in that country are financed from funds acquired locally. This means that, if we were expropriated, we would lose most of our local assets, but we would also lose most of our local obligations to depositors. The net loss of our own capital investment is usually our greatest exposure.

Senator CASE. Mr. Chairman, may I just for clarification, ask a question?

Senator CHURCH. Yes, Senator Case.

#### AMOUNT OF DOLLAR EXPOSURE IN CHILE

Senator CASE. That was not true in Chile, was it, Mr. Clark? I think your statement in the second paragraph says that in addition to your \$30 million of local Chilean deposits in your Chilean bank, you had outstanding from outside the country dollar loans to the Chilean Government, private local firms, and Chilean individuals totaling some \$30 million.

Mr. CLARK. Yes; that was true at that time, Senator Case. There have been amortizations of those loans and we do have an agreement with the Chilean Government for the servicing of the remaining indebtedness so if that program is fulfilled the dollar loan program will also be entirely paid off.

Senator CASE. I just wanted to be sure that Chile was an exception to that statement that the net loss of your own capital, which was only \$3 million, would usually be your largest exposure.

Mr. CLARK. Usually we do not consider the dollar exposure as loss and usually we have an agreement for servicing.

Senator CASE. I say that is fine but this is different from your statement here, \$30 million as against a \$3 million capital investment or net investment.

Thank you very much.

#### MR. CLARK'S STATEMENT CONTINUED

Mr. CLARK. After the 1970 Chilean national elections we had repeated discussions with members of the new government in an effort to convince them that we could best serve Chile if we were allowed to maintain our branch system in that country. We also made it clear that we extend credit on the basis of sound financial management and not on the basis of political dogma.

After Dr. Allende's inauguration I visited with the senior financial group of the new government in Santiago to reemphasize these points. In order to highlight our pragmatic and neutral approach, I indicated that we would be interested in developing a joint enterprise with the Chilean Government agencies in order to stimulate Chilean export development. I explained that credit would be available to this joint enterprise if the Chilean authorities desired to join with us in this effort.

#### PROMISE TO CONTINUE CREDITS

Within this context we were careful to assure the Chilean Government that additional credits would be made available to its agencies both during and after Dr. Allende's inauguration. During this period additional extensions of credit by FNCB to Chilean Government agencies were as follows:

1. Corfo (Government Development Agency), \$1.5 million, October 8, 1970.
2. ENAP (Government Petroleum Co.), \$0.5 million, September 15, 1970; \$0.5 million, November 6, 1970; \$0.4 million, December 18, 1970.
3. Government of Chile, \$0.5 million, November 23, 1970.
4. Andean Mining Co. (Government of Chile), \$1 million, December 10, 1970; \$1 million, December 31, 1970.

#### DIVESTITURE OF BRANCHES

We failed in our efforts to convince the government of Dr. Allende that we should continue to operate our branches in Chile. We were told by senior Chilean authorities, some of whom had been friends for years, that we had made our case well. However, the new government had so committed itself to the concept of nationalization of the banks, both local and foreign, that they had no alternative but to implement that program.

In this context, an atmosphere where both we and the Chilean authorities recognized that no realistic alternatives existed, we sold our local branches to the government on January 28, 1972.

Mr. Lilljocoth will report on local events leading up to this sale.



Senator CHURCH. Mr. Lillicotch, we would be glad to hear your statement now.

**TESTIMONY OF RAYMOND LILLICOTCH, ASSISTANT VICE PRESIDENT, FIRST NATIONAL CITY BANK, NEW YORK CITY**

Mr. LILLICOTCH. Mr. Chairman and members of the subcommittee; I am Raymond Lillicotch, assistant vice president, First National City Bank, New York City. I have been with the bank 20 years and during the last 16 years worked in the bank's international operations. I was assigned to Chile in August of 1968 and had overall responsibility for First National City Bank's Chilean operations from August 1970 until our Chilean branches were sold. I have been asked to discuss developments affecting FNCB branches in Chile from September 1970 to January 1972.

**POST-ELECTION INSTABILITY**

On Monday, September 5, 1970, the day following the Chilean national elections, there was general panic within the Chilean business community and a severe run on the banks. By mid-September our local branches lost 34 percent of sight deposits, 19 percent of time deposits and 42 percent of cash due from banks. However, loans dropped only 2 percent. During this period, my immediate concern was to restore the required deposit-loan ratio since an underreserved—overloaned—position was subject to punitive fines. We were, in fact, fined, but we were able to absorb the fines from current income.

When the situation returned to relative normalcy, my principal interest was whether the government-elect would carry out its program to nationalize the local banking industry. While included in the coalition's election platform, details had not been specified.

**NATIONALIZATION LEGISLATION ANNOUNCED**

In a nationwide speech on December 31, 1970, President Allende proclaimed that "next week, I will send to the Congress a proposed law for the nationalization of all private banks." Naturally, we awaited with great interest the content of the proposed bill and its reception in the Chilean Congress.

The bill was to have reached the Congress between January 4 and January 9. No such measure was presented. Instead, an executive act, an alternative was developed whereby the Chilean Development Corp.—Corporación de Fomento—was authorized to purchase local bank shares from the shareholders. The value of the shares to be purchased was fixed at the average price quoted on the local stock exchange during of first half of 1970, an average of less than 50-percent book value but well above depressed prices following the election. In spite of a massive media campaign, results of the purchase programs were disappointing, and option dates to purchase had to be extended several times. Local newspapers at the time implied that private negotiations were being held with resisting major shareholders and that certain administrative measures were being taken. In cases where negotiations failed, the local banks were "intervened" by the government and thus placed under its control.

Dr. Allende had stated that the purchase plan "did not apply to foreign banks having special juridical status." This statement was based upon the fact that foreign banks operated through local branches or offices and thus there were no local shares to be purchased. Accordingly, direct negotiations would be conducted with foreign banks such as ours, with due consideration being given to the banks' rights as well as the nation's interests.

#### BANKING MADE DIFFICULT

At this point there was little we could do except wait for the government to approach us. Meanwhile, we tried to carry on our banking operations on a business as usual basis.

However, we experienced great difficulty in the fact of certain government measures taken throughout this period. For example, interest rates on loans were ordered to be dropped substantially at a time when banks were required to give 40-percent across-the-board salary increases to their entire staffs. Furthermore, permanent inspectors from the superintendent of banks were assigned to each bank and all operations were scrutinized on a daily basis. Later, important foreign exchange operations were assigned exclusively to government-owned banks; thus further reduced income to our bank, which had been heavily engaged in foreign exchange and related transactions.

#### NEGOTIATIONS WITH CHILEAN GOVERNMENT

I do not recall when the new Chilean Government first approached foreign banks, but it was soon after the government assumed substantial control over local banks. They negotiated with one foreign bank at a time, and I believe we were the last of the four foreign banks to be approached.

The first formal approach was made to us in New York on February 25, 1971, during a visit to the United States by the Central Bank president, Alfonso Inostroza. A meeting was held at FNCB headquarters with senior officers of the bank, Mr. George J. Clark, senior vice president, and myself. We explained to Mr. Inostroza at great length the importance of our bank's role in Chile and recalled our 55 years of service to the Chilean people. Our remarks were gracefully received, but Mr. Inostroza pointed out, in uncompromising fashion, that as an important part of the government program there was no alternative to Citibank's sale of its local branches. Mr. Inostroza said, however, that the government would like us to continue with a representative office in Chile.

On May 3, 1971, in Chile, Mr. Inostroza asked me to meet with the Central Bank's negotiating team, and I did so the following morning. They asked that we submit a proposal as to the sale value of the bank's Chilean branches. This was delivered to the Central Bank on May 14, 1971.

Commencing June 24, 1971, there were numerous meetings on the terms and conditions of the sale. The negotiations were lengthy and complex. Furthermore, the Central Bank encountered considerable difficulty in determining the local bank which would purchase our branches. At first the government designated the Central Bank to be the purchaser, then the Banco Sud-Americano, this switch in the des-

ignated purchaser resulted in local employees locking out branch management for 2 days, and finally, Banco de Talca.

The sale of our local branches to Banco de Talco was effected January 28, 1972. The sale was made at essentially book value, part paid in cash and part in notes. After arranging final details, I departed from Chile on February 9, 1972.

Senator CHURCH. Mr. Blum has some questions to begin with.

#### ITT EFFORT TO CUT BACK CREDIT

Mr. BLUM. Mr. Clark, I would like to begin by clarifying the record on a number of points which have been raised. The suggestion is made in one of the ITT documents that ITT officials made repeated calls to firms such as the General Motors Corp., Ford Motor Co., and banks in California and New York, seeking help. First, were you ever approached by any executive or official of ITT with a request to cut back on lines of credit or take some other action designed to create financial chaos in Chile?

Mr. CLARK. Mr. Blum, I was not so contacted by any representative of ITT.

Mr. BLUM. To your knowledge, was anyone at your bank contacted with that sort of request?

Mr. CLARK. I do not know of any such contact on the part of ITT.

Mr. BLUM. And if such a request had been made, would you have honored it?

Mr. CLARK. It is a hard question to answer; it is a hypothetical question.

Mr. BLUM. Indeed.

Mr. CLARK. It did not happen. We really did not go through a thought process that would let me tell you what we really would have done under those circumstances.

Mr. BLUM. I simply asked. According to your opening statement, it was your policy to be completely politically neutral with respect to the countries in which you do business. I assume, therefore, that if you were approached to participate in an operation which would destabilize the local government, you would reject such a request, in keeping with your policy.

Mr. CLARK. Yes, I think that would be a good assumption and, as you say, would be consistent with our traditional policies. It did not come up and we did not go through the thought process.

#### APPROACH BY CIA

Mr. BLUM. Mr. Guilfoyle and Mr. Gerrity testified here that requests to participate in such actions had been made, not by ITT as the cable suggested, but by the Central Intelligence Agency. Were you, or to your knowledge, was anyone at your bank approached by an employee or agent of the Central Intelligence Agency with a request to cut back lines of credit or create economic chaos in Chile?

Mr. CLARK. No, not to my knowledge. And I presume, since I was in charge of the bank in the area, if any such approach would have been made it would have been made to me. It did not occur.

## INCREASE OF CERTAIN CREDITS

Mr. BLUM. In fact, on the basis of your statement, certain lines of credit were in fact increased during that critical period between the two elections. Is that correct?

Mr. CLARK. I do not know if I would say increased, Mr. Blum. But they were extended and there were no extensions of credit made during that critical period.

## BANK POLICY ON POLITICAL CONTRIBUTIONS

Mr. BLUM. In the period prior to the Chilean popular election, were you approached by Chileans for campaign donations?

Mr. CLARK. Yes, we were. I was visited in New York, this is in the preelectoral period now, by a Chilean group that indicated they represented one of the political parties which was, according to them, a businessman's oriented party and that it would be in our interest to provide some support to that particular party.

Mr. BLUM. What did you tell them?

Mr. CLARK. We told them that in no way did we want to participate.

Mr. BLUM. Is that in keeping with longstanding bank policy?

Mr. CLARK. That is very much in keeping with longstanding bank policy. We feel it would be inappropriate for us as a foreign—

Senator CHURCH. I would like you to just finish that statement. You feel it would be inappropriate for you as a foreign bank to make direct political contributions to Chilean candidates, is that correct?

Mr. CLARK. Yes.

Senator CHURCH. And that is the policy that you followed not only with regard to Chile, but to other foreign countries in which you operate as well?

Mr. CLARK. That is correct, Senator Church.

Mr. BLUM. I take it that your policy is to avoid getting involved in possible political situations. Your interest is in keeping the branch open and keeping your banking business open. Getting politically involved would simply create more difficulties than it would solve.

Mr. CLARK. Yes, we are not trying to moralize on it. We only feel it is in our own enlightened self-interest. If it ever became known we participated in a local political situation it would be very difficult to operate in that country.

Senator CHURCH. You represent one of the largest banks in the world, and you have operations in a great many foreign countries. Since you have laid out a certain standard of conduct that emphasizes political neutrality, would you regard it as improper corporate conduct for a bank or other private company that is American-owned to offer the CIA a substantial sum of money, up to a million dollars, for use in influencing the outcome of a Chilean election?

Mr. CLARK. Senator Church, I would say we would not—we would consider it improper for our institution, I do not know that I feel I want to pass judgment on—

Senator CHURCH. Do you see any reason why it would be improper for your institution to do it but might be proper for other banks or other companies to do it?

Mr. CLARK. No.

Senator CHURCH. No. Neither do I.

Mr. BLUM. Mr. Lillicotch. Because you were on the scene in Chile, I would like to ask you a number of questions about the situation in that country at the time of President Allende's election.

#### PRESSURE FROM U.S. GOVERNMENT

Senator CASE. Mr. Blum, before you get to that I think maybe it would be appropriate just for me to clear up a couple of questions about, that are suggested by what you have already asked. Mr. Clark, you stated that you were not asked by our Government to put pressure on Chile.

Mr. CLARK. That is correct.

Senator CASE. And that you were not asked, I take it, by our Government to participate in the political campaign at all?

Mr. CLARK. That is correct.

Senator CASE. By any agency of our Government?

Mr. CLARK. That is correct.

Senator CASE. And you would be, being in your position in the bank, the person who would know about it if there were such a request which had been made?

Mr. CLARK. That is correct.

#### PRESSURE FROM OTHER BANKS

Senator CASE. Did any other American bank attempt to pressure you to change your general policy in regard to continuing to do a banking business in Chile after this election?

Mr. CLARK. No, they did not.

Senator CASE. No other banks attempted to pressure you?

Mr. CLARK. No, they did not.

Senator CASE. On that score or in any other matter in connection with your relations in Chile?

Mr. CLARK. No.

Senator CASE. Thank you, Mr. Chairman.

#### CHARGE OF COMPANY CONSPIRACY

Senator CHURCH. One of the charges that has been made by Mr. Allende and others associated with his regime, is that beyond what ITT may have done, there was some kind of concerted action in which other American companies and American-owned banks participated.

Mr. CLARK. Yes.

Senator CHURCH. They charge that there was a conspiracy against the regime.

Mr. CLARK. Yes.

Senator CHURCH. Since you were such a prominent bank, we are very much interested in what your experience was, what your policy was. We want to know if there is any evidence at all to support the claim that there was some form of concerted action.

Mr. CLARK. It was with the idea in mind, Senator Church, that I specifically included the actual take-downs of credit that went on. This is not theory, this is actually what happened, and there were additional new extensions of credit to the Chilean Government between the election and the taking of office and subsequently. So I think that

makes the record quite clear as to whether this was a concerted effort to hold back.

Senator CHURCH. So far as your bank was concerned, there was no effort?

Mr. CLARK. So far as our bank is concerned, these were actual extensions of credit that I cited in my prepared statement.

Senator CASE. These extensions of credit were made by the bank?

Mr. CLARK. By the First National City Bank.

Senator CASE. By your branch in Chile?

Mr. CLARK. No, sir, these were actual dollar credits from my office in New York City.

Senator CASE. I see. It was not Chilean funds loaned by Chilean banks?

Mr. CLARK. No, sir, these were New York dollar pickup.

Senator CASE. Is the figure in the record?

Mr. CLARK. It is in my statement.

Senator CASE. OK, thank you.

Senator CHURCH. Mr. Blum.

#### ASSESSMENT OF CHILEAN ECONOMY

Mr. BLUM. Mr. Lillicoteh, what was your assessment of the Chilean economy and the general economic situation in Chile before the September 4 election? Was the situation deteriorating? Was it staying the same? What was happening?

Mr. LILLICOTCH. Just prior to the elections in September 1970, the Chilean economy was at one of its strongest positions in its history, I would say. Its reserves were at pretty much an all-time high, estimated over \$400 million which was a very good figure for Chile at the time. The Frei government at that point had built up sufficient reserves that it felt that it could begin to cut back on some of the reserve, some of the exchange regulations with the strength that they had. They had opened up a larger number of imports, in other words, they removed many items from the restricted list of imports, they had reduced some of the financial requirements on imports. In other words, they were relaxing their controls because their reserve situation was improving. That was just prior to the election.

#### PANIC FOLLOWED ELECTION

Mr. BLUM. After the election, what happened?

Mr. LILLICOTCH. Well, immediately after the election, of course, there was a panic, and this run on the banks. Allende's program, his platform, was very well known, and businessmen were naturally concerned with the events that would be coming to happen under his program. Nothing happened, of course, during this period of between the election and the time when Dr. Allende took office. I would say there was mostly a period of great uncertainty.

Mr. BLUM. And that uncertainty was in part manifested by people withdrawing their deposits from Chilean banks, including yours?

Mr. LILLICOTCH. That is right. There was a tremendous rush to liquidity, to be able to turn in any direction that they felt necessary.

## MEETINGS WITH KORRY

Mr. BLUM. Did you, as an American businessman in Santiago, participate in the various meetings Ambassador Korry held at the American Embassy for American businessmen?

Mr. LILLCOTCH. I did. Traditionally, businessmen met the first Wednesday of every month at the American residence. This was, this has been done for many, many years.

Mr. BLUM. Just after the popular election, what advice did Ambassador Korry give to the business community about what had just happened, that is, Dr. Allende's victory in the popular election? What were his comments?

Mr. LILLCOTCH. His comments were basically to remain neutral about this position, not to take unilateral action on the part of any of the companies. He was very much against any company trying to make, take any kind of action to influence the Government directly.

## APPROACH FROM OTHER CORPORATIONS

Mr. BLUM. Did any American company representative in Chile approach you and say, "Gee, we ought to get together and do something about this congressional election," or propose that something be done to alter the outcome of this congressional election?

Mr. LILLCOTCH. No.

Senator CHURCH. So neither locally in Chile nor in New York were you ever presented with evidence of any action on the part of American-owned banks or other American-owned businesses to join ITT in a conspiracy against the Chilean Government?

Mr. CLARK. That is correct.

Senator CHURCH. I think it is very important for the record to show this. I think that other witnesses will bear this fact out, and that it helps to put the whole situation into better perspective.

Mr. CLARK. Yes.

## THEORY THAT POVERTY IS SEEDBED OF COMMUNISM

Senator CHURCH. I have just one observation to make. It is not directly responsive to your testimony, but I wish to make an observation. There has been a theory in this city for many years which at one time had great popularity in the Government and in the Congress, that impoverished conditions are the seedbed for communism. Therefore, aid programs and investment programs in the underdeveloped world operate as a method for giving people some viable alternative to communism.

Yet, in Latin America, the only two countries that have gone Communist have been relatively well-developed countries, with a high amount of investment from American businesses, as well as a substantial amount of investment by the American Government in our ongoing aid programs. This is true of both Chile and Cuba.

You have testified that just prior to the elections which resulted in Mr. Allende's victory the economy was sound and rather strong. Is that not the case?

Mr. LILLCOTCH. That is correct.

Senator CHURCH. And the general living standard in Chile, as compared to less-developed Latin American countries, is good, is it not? Is not Chile one of the countries of Latin America that has traditionally enjoyed a higher general living standard than most of its neighbors?

Mr. CLARK. That is true.

Mr. LILLICOTCH. It is correct.

Senator CHURCH. It is correct. I think it is high time we reexamined the premises on which we have so long sustained the aid program, in the light of actual experience.

I think your testimony has been very helpful, gentlemen. Are there any questions? We will begin with Senator Case.

#### SALE OF ASSETS TO CHILEAN GOVERNMENT

Senator CASE. Just to complete the record that you made, you had two broad interests in Chile. One was the investment in branches.

Mr. CLARK. That is correct.

Senator CASE. And the other was a body of loans and credits.

Mr. CLARK. What we call our dollar exposure.

Senator CASE. Your dollar exposure.

Now, in both of those you have come to agreement for liquidation with the Chilean Government.

Mr. CLARK. That is correct.

Senator CASE. What were the terms, broadly, of the sale? You said that the assets of the bank were generally sold at book value, part cash, and part notes. Book value meant value of real estate, I take it, and the machinery. Was there anything else included other than that?

Mr. CLARK. There were the Chilean Government dollar bonds. It came out to about the \$3 million figure.

Senator CASE. About \$3 million.

Mr. CLARK. Yes.

Senator CASE. How much of that was paid in cash?

Mr. CLARK. \$1.1 million, about a third.

Senator CASE. About 30 percent?

Mr. CLARK. About one-third. Senator Case.

Senator CASE. About one-third, and the rest in notes. How long were the notes?

Mr. CLARK. They run 5 years.

Senator CASE. Has payment started on any of those notes?

Mr. CLARK. There was an interest payment but there is no principal payment yet.

Senator CASE. No principal payment.

Mr. LILLICOTCH. First payment is due in November of this year.

Senator CASE. Those are payments made and obligations stated in dollar terms?

Mr. CLARK. Yes, they are.

Senator CASE. How about your other—

Mr. CLARK. Dollar exposure.

Senator CASE. Yes.



## LOANS REPAYED

Mr. CLARK. Well, we also have a separate agreement on that, Senator Case, and it stretches out several years and so far the only maturities, the only payments required by the agreement, have been interest payments and those have been met so far.

Senator CASE. They have been met.

Roughly, you have gotten back about the number of dollars that you loaned, have you not, during this extension of credit since the Chilean election?

Mr. CLARK. Yes. We are probably actually down. The total dollar exposure today would be less than it was at the—because there was a period of time in 1971 when there were payments being made before this agreement was finally negotiated.

Senator CASE. So that the viability of your investments, your being paid at the agreed price, depends on continuation of some kind of reasonable arrangements with the Chileans?

Mr. CLARK. Yes, sir; yes, it does, that is right. We always had to keep that in mind, of course.

Senator CASE. Thank you very much.

Senator CHURCH. Senator Fulbright.

## PRINCIPLES OF BEHAVIOR IN HOST COUNTRY

Senator FULBRIGHT. Mr. Clark, I want to congratulate you on No. 3 of the principles you enumerated in your statement, where you say, "We believe that every country must find its own way politically and economically." That is a very sound principle. I wish you could convince the State Department that that is a sound principle on which to operate.

Mr. CLARK. We really believe that, too, Senator Fulbright.

Senator FULBRIGHT. I do too.

Mr. CLARK. Sometimes it is a painful process but—

Senator FULBRIGHT. I think your experience would indicate that it is wise.

If I understand it correctly, the settlement you had was within reason. Perhaps it was not all that you wanted, but you would call it reasonable?

## SETTLEMENT WITH CHILE

Mr. CLARK. No, sir, we would not really call it reasonable. We in no way, shape, or form wanted the agreement to take this form. We really accepted it because we felt we had no alternative. I do not want in any way to leave the impression that we were at all—

Senator FULBRIGHT. Happy about it?

Mr. CLARK [continuing]. Happy about it, that is right.

Senator FULBRIGHT. I understand that you did not want to leave the country. You had been there a long time.

Mr. CLARK. We have been for 55 years, and it is a very painful thing.

Senator FULBRIGHT. I am not speaking about that aspect but about the actual dollars invested. Did they expropriate your investment?

Mr. CLARK. I do not think we can say our investment was expropriated; no.

Senator FULBRIGHT. What was the book value of your investment?

Mr. CLARK. Our book value was about \$3 million.

Senator FULBRIGHT. You got your book value, but did not get any compensation for your good will?

Mr. CLARK. That is correct.

Senator FULBRIGHT. Or for a lot of other things.

Mr. CLARK. For 55 years of effort.

Senator FULBRIGHT. Exactly. I understand that. I do not think book value is a particularly meaningful criterion myself, and certainly very few of our own major corporations today consider book value meaningful.

Mr. CLARK. That is right.

Senator FULBRIGHT. I am quite sure the oil companies would not think being paid book value of their investment in places like the Middle East is anything like compensation.

Mr. CLARK. Exactly.

#### NEGOTIATIONS WITH CHILEAN GOVERNMENT

Senator FULBRIGHT. I do not quarrel with that. But they did give you book value. Of course, what we are interested in is not only your experience but how it compares to that of the ITT.

Did you go through a negotiating procedure? Did you argue with them, or did they give you an ultimatum and say, "Here it is. Take it or leave it, and get out."

Mr. CLARK. There was a very long period, Senator Fulbright, of what you might call negotiations.

Senator FULBRIGHT. Negotiations?

Mr. CLARK. That is right.

Senator FULBRIGHT. The Chilean Ambassador told me some time ago that his government had tried to induce ITT to engage in negotiations through an international arbiter. Do you know anything about that?

Mr. CLARK. I did not know that was a matter of fact, no, and I do not think an arbiter was ever mentioned in our case, was it? It is the first I have heard of it.

Senator FULBRIGHT. I just wondered. We have been given the impression that the Chilean Government was extremely arbitrary with regard to the ITT case. I just wondered what your experience had been. Apparently, their settlement with you, while not entirely satisfactory, followed what was more or less customary in these cases. As a matter of fact, a great many countries do not do as well as Chile did with you. Certainly Cuba has never made that type of settlement. Of course, we broke off relations with Cuba. We have also heard of cases like the power company in Mexico and a telephone company in Brazil, in which our companies felt that they were more abused than you seem to have been.

Mr. CLARK. I would say we would feel the lesser of the two evils in our experience was the Chilean experience. We were treated better by the Chileans than we were by the Castro government, for example.

Senator FULBRIGHT. I have heard of some cases, right or wrong, involving public utilities where the Government has arbitrarily refused to grant them any increase in their rates or has virtually broken up the companies and taken them over.

Mr. CLARK. That is right.

Senator FULBRIGHT. I have heard those stories; I would not want to try to verify them at the moment. My main point was that, under the circumstances, you were not arbitrarily treated, even though you received unsatisfactory amounts in compensation.

Mr. CLARK. Yes, sir.

Senator FULBRIGHT. Is that correct?

Mr. CLARK. Yes, sir, that is a fair statement.

Senator FULBRIGHT. Thank you very much.

Senator CHURCH. Thank you very much, Senator Fulbright.

Senator Percy.

#### USEFUL PRINCIPLES

Senator PERCY. I would agree with the comments that have been made, Mr. Clark. I think the testimony both of you have offered has been most valuable. I hope the set of principles outlined by you would be followed by many companies. I believe they are not inconsistent with principles followed by many multinational companies abroad.

When you say that you did try to convince Chilean authorities, that it was all an exchange of views and a presentation of your case, do you mean that no other methods were used?

Mr. CLARK. That is right, as I say, every one of those conversations indeed where we said "But if you really do not want us in your country we also do not want to be there."

#### ITT BANK'S CLIENT

Senator PERCY. You were not contacted by ITT? For the record, could you clarify that you are bankers for ITT in this country?

Mr. CLARK. Yes.

Senator PERCY. And you are bankers for ITT, among other banks, in Chile?

Mr. CLARK. They were not a major client of ours in Chile but we did have some of their deposits.

Senator PERCY. If they were contacting banks you would be one of the logical ones that they would contact?

Mr. CLARK. I would presume so.

Senator PERCY. In order to put pressure on a country?

Mr. CLARK. I would presume so.

Senator PERCY. You indicate that you have had similar situations in Indonesia. I think I recall meeting an officer of the bank in Indonesia in December. Are you back now operating in Indonesia?

Mr. CLARK. That is an interesting point, Senator Percy. Just because of the policies that I mentioned here the Indonesians felt that we had left their country gracefully and they did in fact welcome us back, and we are now back in Indonesia, and I expect some day we will be back in Chile and some day we will be back in Cuba. We try to leave gracefully.

Senator PERCY. I know that you would.

Mr. CLARK. If we have to go.

Senator CHURCH. I think your overall record demonstrates the wisdom of your guidelines.

Mr. CLARK. Exactly.

## LOANS IN 1970

Senator PERCY. Yes. I think you have been a good neighbor and I hope that government will ultimately recognize it.

The \$5½ million that were loaned from October 8 through 31, is this about consistent with the pattern of loans in the past, or was there an acceleration?

Mr. CLARK. About the same.

Senator PERCY. About the same?

Mr. CLARK. That was the normal type takedown.

Senator PERCY. You were anxious to demonstrate there are mutual advantages in your staying and taking something of a risk in continuing those extensions of credit, even though others probably were not doing it?

Mr. CLARK. Yes, sir. As far as we were concerned, that was a very accurate statement of our feeling.

## INTERFERENCE BY AMERICAN COMPANIES

Senator PERCY. Mr. Clark, from your own experience in dealing with many American corporations, multinationals doing business all over Latin America, could you tell us whether it is generally the policy of American companies to interfere in domestic politics in the countries in which they operate?

Mr. CLARK. I would say it is not generally the policy.

Senator PERCY. So that it is an unusual case when they would intervene in domestic politics, then?

Mr. CLARK. Yes.

## RUN ON BANKS

Senator PERCY. Finally, Mr. Lillicotch, in your statement you indicated there was a receiver run on the banks. Was any part of the run on banks, in your judgment, generated by any American corporation's activity or was it strictly the local situation that caused a lack of confidence in economic conditions by those who had invested money in the banks?

Mr. LILLICOTCH. It was a general reaction on both, from both the local customers of our bank and the foreign customers. It was a tremendous uncertainty as to what was to follow. As I mentioned earlier, everyone wanted to secure a liquid position.

Senator PERCY. Thank you very much.

Senator CASE. Just one question.

## INFORMATION ON GOVERNMENT APPROACH TO BANK

Senator CHURCH. Senate Case.

Senator CASE. Mr. Clark. I completely accept your judgment and statement that you would have learned if any approach had been made by anybody to influence your bank's conduct of activity or policies in Chile. It occurred to me that one possible thing might not have come to your attention. Suppose an agency of our Government say, the CIA, got in touch with the chairman of the board or the president of the bank and asked him to do something and he decided just to keep it quiet or do nothing about it. I wonder if you

could find out—he might even tell you—whether any such approach was made. For the record, answer it.

Mr. CLARK. If I would try to find out if any such approach was made?

Senator CHURCH. Yes.

Mr. CLARK. Yes, sir.

#### DETERMINING GUIDELINES FOR MNC'S

Senator CHURCH. Mr. Clark, just one final comment. One of the things that this subcommittee hopes to do, and indeed, the primary reason that we have attempted to get at the facts in this case, is to determine a set of guidelines for multinational corporations—

Mr. CLARK. Yes, sir.

Senator CHURCH [continuing]. Governing their conduct in foreign countries. It might even prove possible in the future to make such a set of guidelines or set of principles a part of an international convention.

I was struck by your four principles, and I think they bear repeating:

"1. We must never lose sight of the fact that we are guests in foreign countries. We must conduct ourselves accordingly. We recognize the right of governments to pass local legislation, and our obligation to conform.

"2. Under these circumstances, we also recognize that we can survive only if we are successful in demonstrating to the local authorities that our presence is beneficial.

"3. We believe that every country must find its own way, politically and economically. Sometimes we feel that local policies are wise; sometimes we do not. However, irrespective of our own views, we try to function as best we can under prevailing conditions.

"4. We have always felt free to discuss with local governments matters directly affecting our interests, but we recognize that they have final regulatory authority."

I think you should take those four guidelines, put them in a frame suitable for an executive office and send them to Mr. Geneen. [Laughter.]

Thank you.

Our next witness is Mr. Greene of Manufacturers Hanover Trust Co.

Mr. Greene, will you please stand and be sworn. Do you swear that all the testimony you are about to give in these proceedings will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GREENE. I do.

#### TESTIMONY OF JAMES R. GREENE, SENIOR VICE PRESIDENT AND DEPUTY MANAGER, INTERNATIONAL DIVISION, MANUFACTURERS HANOVER TRUST CO.; ACCOMPANIED BY GEORGE BALAMUT, ATTORNEY

Senator CHURCH. Mr. Blum, will you commence with the questioning.

Mr. BLUM. Mr. Greene, for the record, would you give us your full name and your title with the bank?

Mr. GREENE. My name is James R. Greene, senior vice president and deputy general manager of the International Division of Manufacturers Hanover Trust Co.

The gentleman to my right is Mr. George Balamut, counsel.

Senator CASE. What firm is he with?

Mr. BALAMUT. Simpson, Thatcher & Bartlett.

Senator CASE. I mention that, Mr. Chairman, because there may be some thought of bias on my part.

Mr. BLUM. Mr. Greene, at the time of the Chilean election, did you have responsibility for your bank's activities in Chile? Were you the officer who was overseeing the bank's activities in Chile?

Mr. GREENE. That is true.

#### ELECTION INVOLVEMENT

Mr. BLUM. Let me turn to the period prior to the popular election. Were you solicited for campaign contributions in that political campaign?

Mr. GREENE. Before the election, I do not believe so.

Mr. BLUM. Were you approached by any American companies and requested to kick money into a kitty to elect a candidate?

Mr. GREENE. No.

Mr. BLUM. Were you approached by any governmental agency and asked to kick money in to help any candidate?

Mr. GREENE. No.

Mr. BLUM. Following the popular election in September, in the period between the popular election and the congressional election, were you approached by anyone, or by any American company and asked to contribute money to a fund to block President Allende's election by Congress?

Mr. GREENE. No.

Mr. BLUM. Were you approached by a Government agency and asked to participate in any sort of plan to block President Allende's election?

Mr. GREENE. No.

#### CONTACTS WITH ITT ABOUT CHILE

Mr. BLUM. Were you in contact with officials of ITT at that time, about the situation in Chile?

Mr. GREENE. Yes, we were in contact with officials of the ITT subsequent to the election, not before.

Mr. BLUM. And what was the nature of that contact?

Mr. GREENE. We had made a loan in 1967 or 1968, I have the date here, to the Chilean Telephone Co. under the guarantee of a Chilean bank. The initial approach was made exclusively by the bank. We had no contacts whatsoever with ITT at that time, and the loan was made as an accommodation to this Chilean bank.

Mr. BLUM. So your contact with ITT was with respect to a loan which you made through a Chilean bank to Chiltelco?

Mr. GREENE. To the Chilean Telephone Co., correct.

Mr. BLUM. And you were not approached by ITT officials with respect to a plan to create economic chaos in Chile?

Mr. GREENE. None whatsoever.

Mr. BLUM. Were you approached by any official of the American Government with a plan to create economic chaos?

Mr. GREENE. No, Mr. Blum, at no time.

Senator CHURCH. So throughout this period, based upon your own personal knowledge of the situation, you were presented with no evidence of a plan either on the part of the Government of the United States or anyone else that entailed concerted action on the part of American banks and American-owned companies for the purpose of either creating economic chaos in Chile or of directly intervening in the Chilean political process?

Mr. GREENE. No one approached us.

Senator CHURCH. Your bank played no part on its own in pursuing either of these objectives?

Mr. GREENE. None whatsoever, Senator.

#### LINE OF CREDIT TO CHILE

Mr. BLUM. Mr. Greene, what happened to your bank's lines of credit during the period between the two elections? Did you curtail them or did you increase them? Would you please try to describe for us what the situation was?

Mr. GREENE. At the time of Mr. Allende's election we had 25 borrowing customers, and the total debt owed to us by Chile was \$68,300,000. We immediately, following the election, wrote a letter to most of those correspondents saying that, although the future was uncertain—I have a copy of one or two of those letters—that we were prepared to continue business as usual.

Senator CHURCH. Would you supply a copy of that letter for the record, please?

Mr. GREENE. I have a number with me and I would be pleased to, Senator Church. [See Appendix, p. 534-36.]

Senator CHURCH. We would be grateful if you would supply a copy you regard as typical of the letter that you sent to these parties.

Mr. GREENE. My counsel has suggested I not add facts, I will ignore his advice just this far to point out that by the end of November our exposure in Chile had increased from \$68 million to \$72 million. This was simply the utilization of normal lines of credit by our Chilean correspondents and we had not reacted by that time, by the end of the year, we had not done anything.

Mr. BLUM. Between the two elections, in fact, your exposure in Chile increased rather than decreased. That is, Chileans owed you more at the point at which Mr. Allende was elected by the Congress than at the time he won the popular election?

Mr. GREENE. \$3 or \$4 million, that is true.

Mr. BLUM. And that would hardly be part of a credit squeeze to prevent his election.

In a situation where you had \$68 million in outstanding debt, how would you have been affected if a plan to create economic chaos had been implemented? What would have happened to you, your bank and the money you were owed?

Mr. GREENE. Well, it would not have been in the interest of my bank and I would not have recommended that we get involved in any system to create economic chaos with that kind of an exposure in Chile.

In the first place, by that time, and I am talking about late 1970, we were not at all convinced as to how it was all going to work out. That was why we continued cautiously and with some misgivings obviously, but business as usual.

Mr. BLUM. Clearly your exposure would have put you in jeopardy if economic chaos had ensued. You might not have been repaid your \$68 million.

Mr. GREENE. They probably would not have looked kindly at any suggestions that we do anything which would have made it more difficult for the Chileans to pay us back money they owed us.

#### CUTTING LINES OF CREDIT TO CHILE

Senator CHURCH. What is the present status of these loans?

Mr. GREENE. Present status?

Senator CHURCH. What is the present status of this exposure?

Mr. GREENE. We do not have any credit lines available in Chile today. We are not granting credit to Chile today and our exposure—

Senator CHURCH. What is the reason for your decision not to grant further credit to Chile?

Mr. GREENE. Well, this was a decision made in our bank taken on the basis of the rapidly deteriorating economic and financial condition within the country. This was not a decision taken at one time. We canceled lines or withdrew little by little over a period of a year and a half, when in our sole judgment, the credit taker or the condition in the country was such that we were not prepared to grant credit. Those decisions we began to take early in 1971 as the facts which had been described to you earlier today became evident to us and other people. But this was at the suggestion of nobody, and our exclusive judgment.

Senator CASE. You were about to say what was happening to the \$70-odd million that was outstanding at the end of November.

Mr. GREENE. Yes.

Senator CASE. December.

Mr. GREENE. In our case the refinancing agreement, which was mentioned by my good friend Jack Clark, as a major creditor in Chile we participated in that and our outstandings in part, and I have to give the Chileans credit, they paid us off very substantial amounts of money during this period, and our—what remained went into and was consolidated into that financing agreement which we all signed with the Chileans in 1971.

#### NEGOTIATIONS WITH CHILE

Senator CHURCH. Do you feel, as a result of your experience, that your bank was treated in an arbitrary or capricious way by the Chilean Government?

Mr. GREENE. The Chilean Government officials with whom we dealt, and we have considerable experience with dealing with them, did not do anything, I have to choose my words carefully, to encourage us to continue the granting of credit in Chile. They were tough and difficult to deal with.

Senator CHURCH. Did the Allende regime take any expropriative action against any of the money owed to the bank?



Mr. GREENE. Well, they intervened, Senator Church, and intervened and denounced banks and other institutions with whom we had been dealing, denounced in vigorous terms the dishonesty and the incompetence of the officials who had been running those institutions. These were some of the circumstances which persuaded us that these credit institutions no longer merited credit and we began to withdraw.

Senator CHURCH. Those were Chilean banks?

Mr. GREENE. Chilean banks, primarily.

Senator CHURCH. Has the Allende regime interfered with the repayment of the obligations owed to your bank in any confiscatory way?

Mr. GREENE. The simple answer to that, Senator Church is "no." We had problems, those were obviously very difficult times for a bank doing business in Chile, but in all justice, I have to say that the Chileans made monumental efforts and paid us back \$30 or \$40 million during this period, and that was a major effort on their part.

Senator CHURCH. You were present, were you not, when Mr. Clark testified?

Mr. GREENE. I was, indeed.

#### CRITERIA OF GOOD CORPORATE BEHAVIOR

Senator CHURCH. Does your bank generally adhere to the same criteria for good corporate behavior abroad that he laid out? Is your policy generally one of observing political neutrality in foreign countries?

Mr. GREENE. The answer to that, Senator Church, is "yes". I cannot conceive of the circumstances under which we would become involved in local elections or local politics.

Senator CHURCH. So you would regard a corporate offer of up to a million dollars to the CIA for the purpose of helping to finance an effort to block Allende from becoming President as a highly improper procedure?

Mr. GREENE. I like Mr. Clark's answer to that. We would not do it.

Senator CHURCH. You would not do it.

Mr. GREENE. We would not do it.

Senator CHURCH. If it would not be right for you to do it, do you know of any reason why it would be right for another bank or American-owned company to do it?

Mr. GREENE. It is difficult for me to conceive, Senator Church, but there may be circumstances of which I have no knowledge. In our bank, without a physical presence in Chile, operating as perhaps the leading correspondent bank, it is easy for us to say no, we would not get involved.

Senator CHURCH. Have you ever been involved in any overture of that kind?

Mr. GREENE. None whatsoever.

Senator CHURCH. And as far as your bank is concerned, you would regard it as inappropriate?

Mr. GREENE. Inappropriate, it would not be in our self-interest.

Senator CHURCH. It would be both inappropriate and contrary to your self-interest.

Mr. GREENE. That would be our judgment.

Senator CHURCH. I have no further questions. Mr. Greene, you have made it clear that your bank took no part in any concerted action and knew of no concerted action during this critical period.

#### LOANS TO CHILTELCO

Senator PERCY. Mr. Greene, I think your testimony has been interesting and helpful. Is the Manufacturers Hanover Trust Co., the banker for ITT in the United States?

Mr. GREENE. Yes; it is.

Senator PERCY. And your bank participated in ITT's banking activities in Chile?

Mr. GREENE. Senator Percy, we did have loans to Chiltelco. We are, you will see from the figures, we tended to be a very important correspondent bank for Chilean banks and when we were approached for loans to Chiltelco we were approached by a Chilean bank, Banca de Chile and we did make loans to Chiltelco under Banca de Chile's guarantee, but at this time we had no contact with ITT. This was an accommodation to a Chilean bank anxious to do business and accommodate Chiltelco.

Senator PERCY. If they were contacting banks with which they were acquainted in order to have business interests to create economic chaos in Chile, they would logically have contacted you?

Mr. GREENE. We are right next door to ITT on Park Avenue, Senator Percy, and I would assume so. We had no contact of this sort at all with ITT.

#### POLITICAL ACTIVITIES OF MNC'S IN HOST COUNTRIES

Senator PERCY. Could you, on the basis of your broad experience in dealing with multinational corporations abroad, comment on what your observations through the years have been as to the policy of American multinationals regarding interference in the domestic politics of their host countries? Do you think this is something that is done frequently, or that it is something that is done only occasionally or in a rare instance?

Mr. GREENE. It is the latter, Senator Percy. My own experience and almost an article of faith is that American business corporations, and banks as well, try very hard to be good citizens of countries in which they have a presence and most would not want to get involved and would not find it in their self-interest to get involved in local politics.

Senator PERCY. Would you care to comment on how the banking system of Chile has operated since nationalization? Has it operated smoothly or have they had great problems with it?

Mr. GREENE. Since to all intents and purposes for a year, Senator, we have withdrawn from the granting of credit to Chile, I do not think I would be in position to comment on that.

Senator PERCY. Would Manufacturers like to return to Chile should conditions permit?

#### REPRESENTATIVE OFFICE IN CHILE

Mr. GREENE. We would be delighted. We had advanced discussions going with the Chilean Government to open a representative office prior to Mr. Allende's election.

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Senator CASE. What does that mean? I noticed you used it before.

Mr. GREENE. Well, it is a full-time man on the spot with this kind of an exposure, Senator Case, we feel we need somebody there more than the two or three times a year that it is possible to visit from New York, and we would welcome the chance today, tomorrow, like our good friends at City Bank, to reinitiate business with Chile when, in our judgment, political and economic factors are such that we can do so safely.

#### BENEFIT OF BANK OPERATIONS TO CHILEANS

Senator PERCY. Have representations been made to you or to your fellow officers at any time in the past recent years, that the operations of Manufacturers in Chile have been beneficial to the Chilean people, to the Chilean economy, and to economic conditions in the country, and that you have been good neighbors there?

Mr. GREENE. I do not recall that anyone has said that, Senator. With this kind of exposure, with these kinds of loans for dozens of different purposes, term loans, infrastructure loans, I would hope that our—that Manufacturers Hanover Trust Co., and banks like ours, do make a contribution to the well-being of the people of Chile.

Senator PERCY. In looking for a bank it has been said sometimes, "Well, money is money, it does not matter where you get it, just so the price is the same." But in your experience, when American banks do business in a country like Chile, do you not only lend money but also see that technical assistance and expertise flow with it? Your object is to get your money back and to see that your customer, to whom you lend money, is successful. Are you able to assist and help and provide counsel and advice that is valuable to the economic enterprises in Chile as a result of your presence?

Mr. GREENE. I would think that in most cases, Senator Percy, we are not a great deal of help so far as technological expertise. If American banks have a contribution to make it is that we are risk takers; we lend large amounts of money at relatively cheap prices and that is our function, and our function is to attempt to make judgments on credit risks and we are able to lend, we have been able to lend, money cheaper than most alternative sources. If we make a contribution it is in that area.

Senator PERCY. Do you happen to know whether your previous Chilean customers are able to get adequate credit now in amounts that they might wish commensurate with what they borrowed from you before? Are they paying the same interest costs, lower interest costs, or higher interest costs now?

Mr. GREENE. I would think that the Chilean Government has found it impossible to replace the kind of credit which my own bank and other major U.S. banks supplied Chile anywhere else in the world, and that they are suffering for a lack of credit.

Senator PERCY. So the Chilean economic enterprises have suffered as a result of nationalization programs so far?

Mr. GREENE. And because of overt hostility to U.S. banks, yes, sir.

#### EFFORT TO HONOR OBLIGATIONS

Senator PERCY. Finally, you mentioned that a monumental effort has been made to honor the obligations that have been made to you. Do you feel that this monumental effort has been made because of the kind of business practices and the history of your experience in Chile?

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Do they feel a greater sense of obligation to you because of the way you conducted yourselves there?

Mr. GREENE. I do not think they felt any special obligation to my own bank. I think the Chileans made an honest, concerted effort to pay American banks in the year or so following the election, pay them what they owed them. In part, I think they were hoping to persuade us to keep our lines of credit open to them and we did, as we stated, for some period of time and gradually withdrew and reluctantly withdrew.

Senator PERCY. Thank you.

Senator CHURCH. When did that withdrawal of credit begin?

Mr. GREENE. It took place from early 1971, our last line of credit, Senator Church, disappeared in early this year.

Senator CHURCH. So the withdrawal has taken place over a rather lengthy period of time?

Mr. GREENE. I suspect the first cancellations occurred in early 1971, and the last ones in early 1973.

Senator CASE. A line of credit is not a loan or even a commitment to make a loan?

Mr. GREENE. It is neither, Senator Case, it is simply our statement that all things being equal, the money is available to you, if you need it.

Senator CASE. So the fact that you took no action for withdrawal of credit did not mean you made available any credits.

Mr. GREENE. Normally, that would be a statement I could accept. In the case of Chile they were so desperately in need of lines of credit that lines of credit available were being used.

Senator CASE. And you serviced them up to what time?

Mr. GREENE. Excuse me?

Senator CASE. When was the last loan you made there?

Mr. GREENE. Late 1972.

Senator CASE. Yes.

Senator CHURCH. I think your testimony has been very, very helpful. I want to thank you very much for coming, Mr. Greene.

The public hearing will continue this afternoon at 2:30. We are hopeful that we can make available Mr. Broe's testimony, I hope to do that at 2 o'clock this afternoon. The public hearing will commence again with our remaining witnesses today at 2:30.

[Whereupon, at 12:20 p.m., the hearing was recessed, to reconvene at 2:30 p.m., this day.]

#### AFTERNOON SESSION

Senator CHURCH. The hearing will please come to order. Our first witness this afternoon is Mr. William S. Ogden of the Chase Manhattan Bank. Mr. Ogden, will you please come forward and raise your right hand to take the oath. Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. OGDEN. I do.

#### TESTIMONY OF WILLIAM S. OGDEN, EXECUTIVE VICE PRESIDENT OF THE CHASE MANHATTAN BANK; ACCOMPANIED BY ROY C. HABERKERN, ATTORNEY

Senator CHURCH. Thank you, Mr. Ogden, please be seated. I understand you have a prepared statement that has been submitted in ac-

cordance with the rules of the committee. You may read it at this time, if you so desire.

Mr. OGDEN. Thank you, Senator.

I am William S. Ogden, executive vice president of the Chase Manhattan Bank, N.A., and the officer in charge of the bank's international department. With me today is our counsel, Roy C. Haberkern of Milbank, Tweed, Hadley & McCloy.

Your associate counsel has asked us to submit information regarding our banking arrangements with public and private institutions in Chile during the years 1969 through 1972—particularly with respect to the period from January 1969 through the confirmation by the Chilean Congress of the Presidential election in October 1970. [See Appendix I, p. 536.] We have furnished that information to you prior to my appearance here today. I received the invitation of your chairman to appear before you today and I am happy to respond to that invitation.

Our relationships with public and private institutions in Chile are centered in the international department of our bank. For a number of years prior to 1969, I was senior vice president in charge of our Latin American relationships. In 1970, I was appointed an executive vice president in the international department of the bank. Subsequently, I became head of the department.

#### CHASE ACTIVITIES IN CHILE

Chase Manhattan has had a number of correspondent banking relationships with both government-owned and privately owned banking institutions in Chile. In addition, we have had banking relationships with other governmental and private entities and institutions there. However, we have never had a banking office in Chile, nor have we ever owned shares of any bank or other financial institution in the country.

#### TERMS EXPLAINED

Before describing our financing activities there, it might be helpful if I were to explain some of the banking terms I will be using. While I am sure that most of these terms will be familiar to the members of the subcommittee, it is possible that as used in our bank they may have a somewhat different meaning than is attached to them in other American banks.

One of the terms I will use is "line of credit." At Chase Manhattan we establish lines of credit for our customers based upon periodic review of credit and economic factors. These lines of credit are not legal commitments. In our thinking, they are previously determined limits to which we would consider extending credit, provided there is no significant change in credit or economic factors, and subject to mutual agreement as to rate of interest and other terms. Other important points are:

(a) The amount of a line of credit is frequently greater than usage under a line; and

(b) Reduction or termination of a line of credit does not mean that the credits outstanding necessarily are then called for payment.

By "trade financing" I mean the financing of export or import transactions or other commercial transactions involving the purchase, sale,

or temporary storage of commodities. This type of financing is to be distinguished from term loans because it is directly related to a specific commercial transaction, is short term, and usually is self-liquidating with the completion of the trade transaction.

I will also refer to "term loans" or "agreements to loan." These are loans or credits which are repayable either at a fixed maturity date or in specified installments over a period of time, usually beyond 1 year. These are binding agreements and usually call for payment of a commitment fee.

#### FINANCING ACTIVITIES IN CHILE SINCE 1969

Let us turn now to our financing activities with Chilean entities and institutions beginning in 1969, particularly with reference to the period up to and including the confirmation by Chile's Congress of the presidential elections in October 1970.

At Chase Manhattan, by the end of 1969, we had become concerned about the longer term economic condition of Chile and the ability of Chilean entities over a period of time to meet external debts. The ratio between anticipated foreign currency earnings from exports and external debt obligations is one factor a banker must consider in judging a country's capacity to service its external debt. Another factor which must be considered is projected net capital inflows. We felt that both of these factors were such as to place a strain on Chile's future balance of payments, particularly in the light of the uncertain political situation which would flow from the forthcoming presidential election campaign—then almost a year away.

At that time, we made the following decisions:

1. We would be very reluctant to increase the amount of our longer term exposure.
2. We would follow our short-term trade financing very closely.
3. In order to maintain our Chilean relationships and not to indicate lack of confidence, we would be willing, at least for the time being, to maintain the level of our trade financing exposure—even to increase such exposure on a selective basis, particularly trade financing of a self-liquidating nature.

#### FINANCING CRITERIA

Our decisions on Chilean financing were carried out in the following manner:

1. Our lines of credit for trade financing to Chilean banks, both government owned and private, and other Chilean institutions, beginning with the end of the second quarter of 1969 and as of the end of each quarter thereafter through the end of 1971 were as follows:

Beginning in the second quarter of 1969, they were approximately \$43.7 million, \$38.6 million, and \$38.6 million.

In the 1970 quarters the amounts were \$38.4 million, \$48.1 million, \$40.5 million, and \$32.6 million.

In 1971, the amounts per quarter were \$31.9 million, \$18 million, \$14 million, and \$5 million.

You will note that the increase in our lines of credit from approximately \$38 million to approximately \$48 million in the second quarter

of 1970 underscored our earlier decision to maintain, even to increase, our self-liquidating trade financing for Chile, despite the economic and political uncertainties.

This increase was principally due to a \$10 million line of credit to one company in Chile shortly after the management of that company was taken over by the Chilean Government. This line was extended to finance the exportation of copper, and was continued in the amount of \$10 million, without reduction, through the first quarter of 1971. It was reduced to \$7 million in the second quarter of 1971 and to \$3 million in the third quarter of 1971.

2. Our term loan outstandings under agreements to lend were \$22 million at the end of the fourth quarter 1969. They did not increase to an amount above that figure, but were gradually reduced, in accordance with the scheduled maturities, to total outstandings of approximately \$17.2 million in the second quarter of 1971. Additional credit in the amount of approximately \$600,000 was extended in the third quarter of 1970. These amounts together with the unpaid short-term credits, were refinanced under an agreement entered into with the Chilean Government, basically covering all outstanding debts to commercial banks in the United States.

#### CUTTING LINES OF CREDIT

The reductions in lines of credit and term loans outstanding which I have mentioned, were made because of our own appraisal of the deteriorating economic conditions in Chile, its loss of foreign exchange and, in the case of the private sector, an increasing inability to maintain compensating balances due to requirements to turn such balances over to the governmental authorities. In at least one case, a line of credit was terminated in the latter part of 1970 due to failure of our customer to utilize our facilities for a number of months. It is very likely that this lack of usage resulted from a realization by the customer that it would become increasingly difficult to obtain foreign exchange to service foreign obligations.

By the end of the fourth quarter of 1971, all of our existing lines of credit to Chile were canceled, with the exception of a \$5 million line made available to one of our oldest banking relationships in Chile. This line of credit was terminated in early 1972 and by the end of the first quarter of that year, we made no lines of credit available to Chilean entities.

I want to stress that the reductions in our lines of credit and credit extensions to Chile were made solely in the exercise of banking judgment. In no case was our action affected by other criteria.

In all cases, our judgments were formulated on the basis of information received by officers of our International Department who had the Chilean economic situation under constant review.

It has been and is our policy, not only with respect to Chile but with respect to all countries, to make our judgments and to reach our decisions on the basis of banking factors.

I hope that I have been able to contribute something to your deliberations.

If you have questions, I would be pleased to respond to them.

Senator CHURCH. Mr. Blum has some questions.

## CAMPAIGN CONTRIBUTIONS SOLICITED

Mr. BLUM. Mr. Ogden, let me ask about the period prior to the September 4 popular election. Were you approached by anyone, Chilean or American, for a contribution to a candidate or a party in the Chilean election campaign?

Mr. OGDEN. Yes. One of our then junior officers on our Chilean desk was approached by two Chileans, introduced by one of our Chilean correspondent banks, who said that they were here soliciting contributions.

Mr. BLUM. What was your response or the bank's response to that request?

Mr. OGDEN. We did not contribute, of course.

Mr. BLUM. Is that pursuant to the usual bank policy? Do you have a formal policy on such matters?

Mr. OGDEN. Absolute policy. Under no circumstances would we ever.

## NO APPROACHES FROM OTHER COMPANIES ON CHILE

Mr. BLUM. Were you approached by any American company in the period prior to the popular election with a request to undertake any action that might affect the outcome of the population election.

Mr. OGDEN. I was not approached nor were any, to the best of my knowledge any of my colleagues in our bank and I think I would have been in a position to know if they were.

Mr. BLUM. Were you approached specifically by anyone at ITT with respect to that September election?

Mr. OGDEN. We were not.

Mr. BLUM. Let us turn to the period between the two elections, that is, the period between the September 4 and the October 24 congressional election. Were you approached by any official of ITT or its subsidiaries with a request that you assist in a plan to create economic chaos in Chile by cutting back on their lines of credit to that country?

Mr. OGDEN. We were not.

Mr. BLUM. Were you approached by any American Government official in that period for the same purpose?

Mr. OGDEN. We were not.

Mr. BLUM. So there were no approaches to you at that time, either from the U.S. Government or from the private sector saying, "Please don't continue loans to Chile"?

## ECONOMIC CHAOS NOT IN BANK'S INTEREST

Mr. OGDEN. There were none. And I must say an approach that could lead to financial chaos in Chile when they owed us a great deal of money would not have been very well received.

Mr. BLUM. In other words, your own economic interest is to keep the country afloat so that the money that is owed to you, will be repaid. Is that correct?

Mr. OGDEN. That is correct.

Mr. BLUM. Your bank did reduce the amount of outstanding indebtedness in that period between the popular election and the congressional election. I want to be perfectly clear about the reasons for that reduction.



Your testimony is that this was done purely for commercial banking reasons. Is that correct?

Mr. OGDEN. Absolutely correct.

Mr. BLUM. That is all.

#### LOOSE TALK ABOUT TAKING ACTION

Senator CHURCH. Mr. Ogden, did you, at any time during the period under discussion, hear about any plan for concerted action involving other American-owned banks or businesses operating in Chile to bring collective pressure to bear upon the Allende government, to affect the elections, or to create conditions of economic instability and economic chaos?

Did you hear of any such plan of concerted action?

Mr. OGDEN. Not in any serious fashion, Senator. When there is a situation like that, involving substantial American investment and a great deal of loans outstanding to a country, there obviously is a great deal of talk about it. You hear all kinds of stories and talk ranging from "Let's do something" to "Isn't it a shame" or "Couldn't something be done," but there was nothing that we really took seriously, no.

Senator CHURCH. No concrete proposal was made to you by any other American company?

Mr. OGDEN. No, sir; there was none.

Senator CHURCH. Or by the Government of the United States?

Mr. OGDEN. There was no concrete proposal made to us by the Government or by anyone else.

Senator CHURCH. I think it is important that this be established as a matter of record because some charges that have been made raises the question of a conspiracy by large American companies against the Allende regime.

#### ITT MEMOS NOT ORDINARY BUSINESS COMMUNICATION

Have you read the Anderson Papers that were published over a year ago?

Mr. OGDEN. I read them in part at the time and I read them again on the plane from Teheran to London last week.

Senator CHURCH. In those papers you undoubtedly ran across the sort of communication that was taking place within the ITT—the reports that were flowing back to the ITT from Chile by agents, employees of the company, giving highly detailed assessments of the ongoing political situation. There were various plans for political action, including the Alessandri plan, and speculation on the possibilities of the military taking over or of other developments occurring that might either prevent Mr. Allende from becoming President or seriously affect his capacity to govern during the early months of his regime.

Is it normal, in your experience, for that kind of day-to-day assessment of the internal political situation in a country to be the subject of regular communication within your bank or within other banks or other companies?

Mr. OGDEN. Well—

Senator CHURCH. Did this strike you as being the ordinary sort of internal communication that takes place in a business.

Mr. OGDEN. No; I must say in terms of my experience in our bank, it did not strike me as the type of thing that I would normally see in our bank. Obviously, a lender is concerned with political decisions made in a country when it affects the country's ability to service its debt so you can't ignore political facts.

But I have never seen in our bank memorandums such as that.

Senator CHURCH. That concludes my questions for this witness.

Senator Percy?

#### SENATOR ON BANK BOARD

Senator PERCY. Mr. Chairman, I would like to state before questioning Mr. Ogden, that I served as a director of the Chase Manhattan Bank for a number of years, and resigned when I went into public life.

I was particularly interested in banking activities in nations abroad and, from my own experience through 1965, Mr. Ogden's report of the bank's policies are exactly in accordance with my understanding of them as a former director.

I would like to ask roughly the same questions I have addressed to other banks today.

#### BANK TIES WITH CHILE

Is the Chase Manhattan Bank a bank that has a banking relationship with ITT in the United States?

Mr. OGDEN. Yes; we do, Senator.

Senator PERCY. And did you do any financing for the 70 percent ITT owned Chilean Telephone Co. in Chile?

Mr. OGDEN. No; I don't believe we did.

Senator PERCY. You did not.

Following the lines of the chairman's question regarding political reporting from Chile, you did have a representative in Chile, is that right?

Mr. OGDEN. No, sir.

Senator PERCY. You did not have a direct banking relationship but did you have a permanent resident there or representative?

Mr. OGDEN. No; we did not. We did have a representative in Buenos Aires who covered Chile for us and went there every month or every 2 months.

#### POLITICAL REPORTING

Senator PERCY. Did you have much political reporting out of Chile to the bank in the 1970 period?

Mr. OGDEN. Well, I don't think it was political reporting out of Chile from our representative in the sense that I think Senator Church meant. Obviously there was a great deal of discussion and concern about the political situation, what was happening there, the effect it would have on Chile's economy and ability to service its external debt.

Senator PERCY. Do you think you were close enough to the situation to have known if there was a considered effort by American corporations to engage in the domestic politics of the country. Would you have known about it if there had been a widespread concerted effort?

Mr. OGDEN. It is very difficult for me to really know that, Senator Percy. I would really be speculating if I said we were close enough to have known it. I just wouldn't know.

## POLITICAL NEUTRALITY BEST POLICY

Senator PERCY. In your experience in charge of the international division of one of the largest banks in the world, and certainly in our country, do you think that it is appropriate for American corporations doing business in foreign countries to engage actively in domestic politics of the host country?

Mr. OGDEN. No. We operate in countries all over the world, and in many of them we have a direct presence. Chile, where we had no direct presence, was more the exception than the rule. We don't consider it appropriate and never do.

Senator PERCY. In your experience, and you certainly have dealt with a great many multinationals have you known of multinationals frequently engaging in politics in host countries?

Is it occasionally done or is it rare, in your judgment, that this occurs?

Mr. OGDEN. I would hazard from my experience it would be a rare instance, if ever. If it is—it doesn't seem to work for one thing. [Laughter.]

## ALLENDE WINDFALL

Senator PERCY. Taking up that point. I have heard that this, publicity given to these particular alleged activities have been a real windfall for Allende. If he had devised this himself, he couldn't have planned it better. It strengthened his hand and improved his position in recent elections. From your own experience and such comments as you have heard, would you have any personal opinions or could you venture opinions offered by experts with whom you have talked in this field?

Mr. OGDEN. We haven't followed the Chilean situation perhaps as closely as have many others over the last 7 or 8 months, but I certainly have heard, as you have, Senator Percy, on many occasions that this was quite a windfall for Mr. Allende. And I don't doubt that at all.

Senator PERCY. This subcommittee has a serious study underway of the role of multinational American corporations in the field of foreign policy, and their effect in many areas. From your experience, can you verify that, in your personal judgment, you do not think that this is a pattern typical of American corporations, that other foreign countries do not have to be concerned about American companies which are doing business in their countries actively participating in their domestic politics?

Mr. OGDEN. Senator, I certainly do not feel that this is a pattern for the multinational corporation or bank. To the best of my knowledge, not only is it not a pattern but it is just not done. For no other reason, as I indicated before, it is not only bad in a general sense but it doesn't work. We tend to think of ourselves as guests in the country. They are sovereign, we are there, and we have to be particularly careful about it.

In our bank we sometimes think that we bend over too far. We don't do things that we think maybe we should be doing. We strive to avoid even the slightest hint of getting involved in a country's domestic politics.

## EXCESS PROFITS

Senator PERCY. You have heard the testimony this morning and are aware of the fact that the Chilean Government has taken a position that so-called excess profits, in the past should be now reflected in a reduction in the fair value that is arrived at for expropriated property.

In your judgment, do you think this is a wise policy for any country to follow and would it, in your judgment, discourage private investment certainly in a country that adopted a policy of that kind?

Mr. OGDEN. The concept of retroactive excess profits is one that I must say I don't understand. I would certainly think it is not a wise policy for any country that wishes to attract foreign capital as a policy.

I think the key concern here, as far as foreign capital is concerned, is not so much what the rules of the game are. They are very important but, after all, if one goes in knowing the rules of the game, you play within those rules. It is changing the rules retroactively, particularly on when a sovereign government does it, is what concerns a foreign investor and makes him hesitate.

Senator PERCY. Finally, would the same general principle follow for any country that expropriates without adequate and fair compensation for the property that has been nationalized?

Would that tend to discourage the flow of capital which a developing nation might be most earnestly seeking and prevent them from achieving economic results that they are striving toward?

Mr. OGDEN. I certainly think it would, Senator Percy.

Senator PERCY. Thank you very much for your testimony, it is very helpful.

Mr. OGDEN. Yes, sir.

## CUT IN CREDITS

Senator CHURCH. Mr. Ogden, I have just one other question: According to your statement, the Chase Manhattan Bank began to cut back its Chilean credits late in 1969, well before the Presidential election. [See Appendix I, p. 536.]

On what basis was this decision made? This morning we heard testimony that indicated that the economy of Chile was doing relatively well late in 1969.

Mr. OGDEN. I think that the economy was doing relatively well late in 1969 compared to 1968. But I personally had been active in lending to Chile for 15 years before that. Chile is one of those countries that tends to go through cycles, a great deal of inflation, tremendous budgetary deficit, a drain on their foreign exchange, and then a belt tightening, a little less inflation, and an improvement. We have seen that cycle for 15 or 20 years. Also, the cycles are related to the price of copper which is Chile's largest export earner, so I think when you talk in terms of how the situation was at that point in 1969, I can agree it was better. But looking ahead, it did not appear to us at that time that it was prudent to increase our exposure. At the same time, of course, we were well aware that there were Presidential elections a year away.

The Christian Democrats had gone into office with a great deal of hope. They had made some progress, but, at the same time, there were feelings that, even a year away, we might see a change in Chile. At

least we saw that a sense of uncertainty was creating some flight of capital. There could be more Government spending and greater inflation before the election, as the Government sought to demonstrate that it was they who were going to do things. So all in all we made the decision somewhat a year before the election that we wanted to follow our Chilean risks quite closely.

At the same time, however, we were perfectly willing to increase our short-term financing, and this is one of the points I was trying to stress in my statement. We didn't want to give the Chileans, our friends in Chile, and the Chilean Government the impression that we were negative on Chile. We were not. We wanted to watch and even increase our short term self-liquidating trade financing. At the same time, we wanted to go very slowly or not at all on increasing our term lending. Term lending is when you make a loan and you hear about it when they don't meet a maturity. We didn't feel we wanted to expand our term loans, and that was exactly what we did. We let them go down. We did, however, increase our short-term lending.

Senator CHURCH. Those are all the questions I have. Thank you very much, Mr. Ogden. Your testimony has been most helpful.

Our next witness is Mr. William Foster, formerly of Ralston Purina.

Mr. Foster, would you please take the oath.

Do you swear that all the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FOSTER. I do.

Senator CHURCH. Thank you.

Will you please sit down.

I understand that you have submitted a written statement in conformity with the rules of the committee. If you wish to read that statement we will be pleased to hear it at this time.

#### **TESTIMONY OF WILLIAM C. FOSTER, FORMERLY DIRECTOR OF GOVERNMENT AFFAIRS FOR THE RALSTON PURINA CO.**

Mr. FOSTER. Thank you, Mr. Chairman.

Mr. Chairman, and members of the subcommittee, my name is William C. Foster. I am an attorney practicing law in Washington, D.C. with the firm of Patton, Boggs, Blow, Verrill, Brand & May. I appear before the subcommittee this morning at the request of the chairman to testify about a meeting which I attended in early 1971 with representatives from the International Telephone & Telegraph Co. and other companies doing business in Chile. At that time I was director of government affairs for the Ralston Purina Co.

Before testifying specifically about the meeting, I would like to make some preliminary comments about my relationships with the Ralston Purina Co. I joined Purina in September 1966, as director of government affairs in Washington, D.C. Prior to that time, I had been staff counsel to the late Senator E. L. (Bob) Bartlett of Alaska and counsel for the Senate Committee on Commerce. As director of government affairs for Purina I was responsible for following Government activities in Washington affecting the company. These included primary actions affecting the company's domestic and international operations in the areas of agriculture and consumer products. I am currently retained as a consultant for Purina.

## PURINA INVESTMENT IN SOUTH AMERICA

I would like also to comment on Purina's investment in South America—and specifically in Chile. About 14 years ago, Purina began making substantial investments in South America. For a number of years, Purina has had facilities in Colombia, Venezuela, Peru, Ecuador, Argentina, Brazil, and until recently Chile. These operations consist primarily of animal feed mills and related businesses. This type of investment has generally been welcomed by the host government because it encourages agriculture development in the country.

## NEGOTIATIONS WITH CHILE

Purina's initial investment in Chile occurred in 1966 in a feed mill located in Limache and a poultry processing plant in Nogales. Shortly after President Allende took office in the fall of 1970, specifically on November 15 and 16, the workers took physical possession of these two facilities, and the plant management was locked out. Purina management immediately began discussions with Government officials in Chile in an effort to regain control of the facilities within the framework of Chilean law. Through many months of negotiations, the Government consistently failed to show any intention to return the facilities to Purina's control. Eventually the talks moved to the point of discussing appropriate settlement figures.

Based on the statements made during the negotiations, Purina felt that a reasonable settlement could be attained through its direct talks with the Chilean Government. However, these talks failed and Purina was forced to look to its expropriation insurance contract with the Overseas Private Investment Corp. Purina eventually collected under the terms and formula of the contract in the late summer of 1972.

It was during the period in which Purina was initially negotiating with the Government of Chile that I was invited to attend a meeting at the ITT office in Washington to discuss the situation in Chile with representatives from other U.S. companies with investments in that country.

## MEETING OF AD HOC COMMITTEE ON CHILE

I was invited as a representative of Purina to attend the meeting by William R. Merriam, whom I had not met previously. The meeting was held at the office of ITT in Washington, D.C. There were approximately 12 to 15 representatives in attendance including several representatives of ITT and international copper companies and banks. Since my business associations were primarily with individuals in the food and agricultural business, I was not familiar with most other representatives in attendance. When I arrived, the meeting was underway and ITT officials were expressing their deep concern over the political situation in Chile and their concern that the U.S. Government had not reacted sufficiently strong to the situation created by the election of President Allende.

## ITT SUGGESTIONS FOR ACTION

ITT officials also pointed out that Purina and other companies had been expropriated and others, including some businesses represented

at the meeting, might face similar actions unless the U.S. Government voiced strong objections to the Allende government about its treatment of U.S. investments in Chile. Accordingly, ITT officials recommended that the representatives of those companies in attendance make the necessary contacts with Members of Congress and in the White House and administration generally to stiffen the backs of officials in the administration and particularly the Department of State responsible for U.S. foreign policy in South America.

There was no suggestion made by ITT, however, that any such effort be coordinated by them. Most of the other participants at the meeting voiced concern about the situation in Chile, and a number of different views were expressed as to the adequacy of the State Department's response. For Purina, I stated that we were at a very delicate point of negotiations with the government of President Allende and mentioned that Purina was concerned that the recent introduction of foreign trade embargo legislation could aggravate the situation.

#### ITT APPROACH OPPOSED

After the meeting, I contacted Mr. Paul F. Cornelsen, president of Ralston Purina International in St. Louis, Mo., to report on the meeting. After discussing the thoughts expressed at the meeting by ITT, Mr. Cornelsen advised me not to attend any future meetings of the group even if invited. He expressed basic opposition to the approach suggested.

Mr. Cornelsen pointed out that the company had been and was continuing to negotiate in good faith with Chilean officials, that he hoped Chile would recognize its obligations under international law on expropriation, and that there should be no criticism of the State Department's reaction to the situation in Chile.

My final contact with ITT in this area was a letter which I wrote William Merriam enclosing a copy of the embargo legislation mentioned at the meeting, which I had indicated I would send. There was no further contact between myself and ITT or representatives from the other companies in attendance at the meeting about the situation in Chile.

Thank you, Mr. Chairman, I will be glad to answer any questions.  
Senator CHURCH. Mr. Blum.

#### NEGOTIATIONS WITH CHILE

Mr. BLUM. Mr. Foster, in your prepared statement you say the operations of Purina in Chile were intervened shortly after President Allende took office in 1970 and management immediately began negotiations with the Chilean Government.

Is that correct?

Mr. FOSTER. That is correct.

Mr. BLUM. And for a period of time, I gather, Purina felt negotiations had a good chance of succeeding. Is that correct?

Mr. FOSTER. That is correct, yes.

Mr. BLUM. How long did those negotiations continue? Do you recall?

Mr. FOSTER. Yes; they continued for several months into the spring and summer of the following year, some progress was noted in the

negotiations and we were hopeful at times that we could work out a settlement.

#### WITHDRAWAL FROM AD HOC COMMITTEE

Mr. BLUM. I gather from your statement that it was the feeling of the Purina management that participation in the meetings organized by ITT would jeopardize the future course of those negotiations?

Mr. FOSTER. Well, it was perhaps that and also the fact that we could tell where the meetings were leading and that is not the direction that we wished to go.

Mr. BLUM. What was the amount of the Purina investment in Chile?

Mr. FOSTER. Something short of \$1.7 million to \$800,000, that was not a large investment.

Mr. BLUM. And what was the amount of the OPIC insurance?

Mr. FOSTER. It generally covered that. It was a little short by \$100,000 or \$150,000.

Mr. BLUM. In summary, would it be fair to say that you withdrew from the meetings in Washington to protect the company's ability to negotiate in Chile?

Mr. FOSTER. I don't think we really were thinking that much of just damaging our negotiating position there, that was part of it. But I think it was deeper than that. It was just not consistent with our overall philosophy and how Purina looked about going and doing business in another country. And I am not sure that if we had not been in negotiations that we would have attended the next meeting anyway.

Mr. BLUM. I have no further questions, Mr. Chairman.

#### NO MENTION OF CONSTRUCTION ACTION

Senator CHURCH. At the meeting to which you were invited by the ITT, and at which, I take it, the ITT played a leading role—

Mr. FOSTER. That is correct.

Senator CHURCH [continuing]. Was any mention ever made of a concerted plan of action for constructive purposes, to build houses for Chilean people or to give technical assistance to agriculture or confer some other benefit on the Chileans?

Mr. FOSTER. I don't recall that subject coming up, Mr. Chairman.

Senator CHURCH. The thrust of the ITT interest, as you read it, was the opposite, was it not? It was to see if something could be done to create economic dislocation and to create pressures on the Government of Chile? Wasn't that the general thrust of the conversations that took place at the meeting?

Mr. FOSTER. Mr. Chairman, there were kind of two parts of that question, if I may address myself to each one.

Senator CHURCH. Yes.

Mr. FOSTER. There was no discussion at the meeting about efforts made or to be made in Chile regarding economic chaos there. The discussion centered on the inadequacy of the response of the State Department and what could be done to strengthen their stand and in statements being made to them.

Senator CHURCH. In other words, the purpose of this meeting was to bring pressure to bear upon our Government?

Mr. FOSTER. That is correct.



Senator CHURCH. In the hope that our policy would harden?

Mr. FOSTER. That is correct.

Senator CHURCH. That is correct?

Mr. FOSTER. Yes.

Senator CHURCH. All right. Thank you.

I have no further questions.

#### NO REQUEST FOR CONCERTED ACTION

I might just ask one further question, while you are still here. Did you at any time, either when this meeting took place or afterward, hear about or were you asked to participate in a plan of concerted action involving a number of American banks or American companies to cause economic disruption in Chile?

Mr. FOSTER. I know of none, Mr. Chairman.

Senator CHURCH. Thank you.

Our next witness is Mr. Miles Cortez of the IBM.

Mr. Cortez, would you take the oath please.

Do you swear to tell the truth, the whole truth, and nothing but the truth so help you God?

Mr. CORTEZ. I do, sir.

Senator CHURCH. Thank you.

Mr. Blum will commence the questioning.

Mr. BLUM. For the record, Mr. Cortez, would you please give us your full name and address?

#### TESTIMONY OF MILES CORTEZ, MANAGER, CORPORATE SUPPORT PROGRAMS, IBM WORLD TRADE CORP.

Mr. CORTEZ. My name is Miles Cortez, I reside in Bucks County, Pa., 41 Highland Drive, Yardley.

Mr. BLUM. What is your present position?

Mr. CORTEZ. I am manager of corporate support programs.

Mr. BLUM. That is with IBM World Trade Corp., is it not?

Mr. CORTEZ. Yes, sir.

Mr. BLUM. What are your responsibilities in that job?

Mr. CORTEZ. My responsibilities are the review and staffing of requests that our company receives from charitable and philanthropic organizations for financial assistance.

Mr. BLUM. Do you have any line responsibility for IBM world trade operations in Chile?

Mr. CORTEZ. No, sir, I don't.

#### THE ALESSANDRI FORMULA

Mr. BLUM. Now, Mr. Cortez, I refer you to the memo from Mr. Gerity to Mr. Guilfoyle dated September 10, 1971. The memo reports that you called Mr. Guilfoyle to say that you had been called by Gregorio and informed about the so-called Alessandri formula.

Do you have any recollection at all of the telephone call?

Mr. CORTEZ. I recall seeing this. Mr. Blum, thanks to your help. I would like to answer that if I may in two parts.

Mr. BLUM. Certainly.

BEST COPY AVAILABLE

Mr. CORTEZ. One, I do not recall having called Mr. Guilfoyle. I would like to state that the call was an incoming call; and the second part, is that I don't recall a Mr. Gregorio at all.

Mr. BLUM. The memo appears to be referring to Gregorio Amunategui.

Does that name mean anything?

Mr. CORTEZ. It didn't at the time, but since our discussions with you, I have done some research and I know now who you were referring to.

Mr. BLUM. At the time that reference had no meaning to you?

Mr. CORTEZ. Absolutely none, no, sir.

Mr. BLUM. I know we talked about this before, but I would like to have this for this record.

Do you have any possible explanation of how that memorandum came to be?

Mr. CORTEZ. No, sir, I don't.

Mr. BLUM. At our request, you searched your telephone logs. We asked you to pin down any telephone calls you had with Mr. Guilfoyle. You do keep a detailed log of all your telephone calls, is that correct?

Mr. CORTEZ. I do, yes, sir. [See Appendix I, p. 530.]

Mr. BLUM. Mr. Chairman, I would like to have one extract from Mr. Cortez' telephone log made part of the record at this point. It reads: "9/10"—September 10—"John Guilfoyle wanted to know what we think Chile. No news. Says Tomic is a factor."

That was a reference in the log, is that correct?

Mr. CORTEZ. That is correct.

Mr. BLUM. Is it possible that the conversation noted in the log then became the basis for this memorandum?

Mr. CORTEZ. I can't see how it could. I can't see how it could.

Mr. BLUM. There were no other phone calls to or from Mr. Guilfoyle in that immediate period, those several days? You did search the log?

Mr. CORTEZ. For September 10, you mean?

Mr. BLUM. Yes.

Mr. CORTEZ. No, sir, there were not.

#### PREVIOUS CONTACT WITH GUILFOYLE

Mr. BLUM. Had you met Mr. Guilfoyle before? Had you ever come in contact with him?

Mr. CORTEZ. Only on three or four occasions.

Mr. BLUM. And what were those occasions?

Mr. CORTEZ. I first met Mr. Guilfoyle several years ago, a number of years ago, in Latin America, and it was a very casual meeting. I really can't recall the reason for that except that it was a casual meeting, and perhaps two or three times since then.

Mr. BLUM. Could any of those occasions possibly have been meetings of the Council of the Americas?

Mr. CORTEZ. No, sir, no, sir. They were not. I don't recall meeting Mr. Guilfoyle at the Council.

#### PLAN TO CREATE ECONOMIC CHAOS

Mr. BLUM. Mr. Gerrity's cable to Mr. Gencen dated September 29, 1971, which discusses a visit from Mr. Broe and also mentions that

Mr. Guilfoyle had called several companies when we questioned Mr. Guilfoyle about who he called he said that he called two companies—Mr. Quigly at Anaconda and Mr. Cortez at IBM.

Do you recall receiving a telephone call from Mr. Guilfoyle asking what you thought of a plan to create economic chaos in Chile?

Mr. CORTEZ. I certainly don't, Mr. Blum.

Mr. BLUM. There is a second extract from your telephone log which I would like to make part of the record at this point. It reads:

"September 29, 2:35, John Guilfoyle, ITT and Chile, Schneider Peru military" and the last word is illegible.

Do you have any recollection at all of that?

Mr. CORTEZ. I do recall that call, and that is just about the extent, I just recall the call.

Mr. BLUM. There were stories in the New York Times that morning about Chile. What was the substance of the call, do you have any recollection at all?

Mr. CORTEZ. Well, I recall, I am an avid reader, and I am a commuter and I recall reading in the press, you may also, I found this out also when I did research after our visits, yours and mine, that there was a lot in print at that time, and I can only say that that must have been the source of this.

Mr. BLUM. It is your testimony that Mr. Guilfoyle never proposed to you a plan for creating economic chaos in Chile to somehow block the election of President Allende by the Congress?

Mr. CORTEZ. Absolutely not, Mr. Blum.

Mr. BLUM. Did you express any interest in blocking President Allende to him?

Mr. CORTEZ. No, sir, no, sir, I didn't.

#### POLICY ON POLITICAL INVOLVEMENT

Mr. BLUM. For the record, what is IBM's policy in terms of involvement in the political affairs of another country?

Mr. CORTEZ. Well, I must speak as an individual, this isn't within my purview.

Mr. BLUM. Just give us your understanding of IBM's policy.

Mr. CORTEZ. My understanding, having been with this company now for well over 14 years, it has a long tradition, and I am speaking again from what I have seen on a day-to-day basis and over my 14 years, of absolute nonintervention in the affairs of a host country.

Mr. BLUM. Any suggestion of a plan to block Dr. Allende's election would have been completely foreign to the company's policy as you understand it?

Mr. CORTEZ. I believe it would be totally abhorrent to the company.

Mr. BLUM. Do you have any further recollection of contacts with Mr. Guilfoyle on the subject of Chile?

Mr. CORTEZ. No, sir, I don't.

Mr. BLUM. Mr. Chairman, I have no further questions of this witness.

Senator CHURCH. I have no questions.

Mr. CORTEZ. Thank you, Mr. Chairman.

Senator CHURCH. Thank you for coming.

Our final witness this afternoon is Mr. Enno Hobbing, formerly with the Council of the Americas.

Mr. Hobbing, will you take the oath.

Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HOBGING. I do.

Mr. BLUM. Mr. Hobbing, for the record would you give us your full name and address?

### TESTIMONY OF ENNO HOBGING, FORMERLY WITH THE COUNCIL OF THE AMERICAS

Mr. HOBGING. My name is Enno Hobbing, I live at 1219 29th Street NW., Washington, D.C.

Mr. BLUM. When did you cease being affiliated with the Council of the Americas?

Mr. HOBGING. The first of March 1973.

Mr. BLUM. And how long had you worked for the Council?

Mr. HOBGING. It would have been 12 years on the first of June.

Mr. BLUM. Were you with the Council during the period of the Presidential election in Chile in 1970?

Mr. HOBGING. I was.

Mr. BLUM. What were your duties at the Council?

Mr. HOBGING. My duties at the Council were articulation of Council policy, editorial, long-range planning.

### VISITORS FROM CHILE

Mr. BLUM. In the period preceding the popular election, did you receive in New York Chilean visitors who were discussing the possible outcome of the election?

Mr. HOBGING. I think inevitably we would have received some, yes.

Mr. BLUM. Was it usual that Latin American businessmen passing through town would stop in your office and talk to you?

Mr. HOBGING. Yes.

Mr. BLUM. Do you recall in that preelection period whether you were solicited directly for campaign contributions to one or another of the political parties in Chile?

Mr. HOBGING. We were not.

Mr. BLUM. Were you asked by those visiting Chileans for suggestions of who they might call on for political contributions?

Mr. HOBGING. I don't recall that we were.

### COMPANY ELECTION FUND

Mr. BLUM. Did you hear any discussion of a fund being assembled by American companies or any discussion of concerted action by American companies to support one or another of the candidates in this Chilean election?

Mr. HOBGING. I did not.

Mr. BLUM. Specifically, was there any discussions with Mr. Guilfoyle of ITT or any other ITT executive with respect to that upcoming election?

Mr. HOBGING. Not on my part.

Mr. BLUM. Not on your part.

#### VISIT OF GREGORIO AMUNATEGUI

Turning to the period following the popular election, were you visited in New York by Gregorio Amunategui?

Mr. HOBGING. I was.

Mr. BLUM. Do you recall roughly the date of the visit?

Mr. HOBGING. Well, it was, as I say, between the popular election and the subsequent congressional election.

Mr. BLUM. Sometime after September 4, in other words?

Mr. HOBGING. Yes.

Mr. BLUM. There are several references in these papers to Mr. Amunategui as having been close to one of the candidates in the race, Mr. Alessandri. To your knowledge is that an accurate description?

Mr. HOBGING. He was close to former President Alessandri, yes.

Mr. BLUM. To your knowledge, what was the purpose of his trip to New York in that between-election period?

Mr. HOBGING. I think it was a mixed, very largely personal trip because, among other things, he was concerned about his own future and his family's future.

Mr. BLUM. To your knowledge, did Mr. Amunategui solicit assistance for Mr. Alessandri's cause while he was here?

Mr. HOBGING. No; not that I am aware of.

Mr. BLUM. You are reported to have talked to someone who had a message that "Mr. Amunategui suggests that we hold back."

What is the explanation of that?

Mr. HOBGING. I didn't recall the conversation until I saw it reproduced in one form or another in the papers. The only thing I can say is that Mr. Amunategui, to the best of my knowledge, has always been a very strict Chilean constitutionist and always in favor of the legal way of doing things.

Mr. BLUM. So that, if anything, he was passing the word not to interfere in the election rather than do anything affirmative.

Mr. HOBGING. That is the only way I can interpret what I have been reported to have said.

#### PREVIOUS EMPLOYMENT WITH CIA

Mr. BLUM. So the record is completely clear on this, were you at one time employed by the Central Intelligence Agency?

Mr. HOBGING. Yes, I was.

Mr. BLUM. And that employment ceased in what year?

Mr. HOBGING. November 15, 1954.

Mr. BLUM. Have you worked for them in any capacity since then?

Mr. HOBGING. I have not.

Mr. BLUM. You have not.

Mr. Chairman, I have no further questions.

#### COUNCIL OF THE AMERICAS

Senator CHURCH. Mr. Hobbing, what is the Council of the Americas?

Mr. HOBGING. The Council of the Americas is a business association

representing some 210 U.S. companies who between them represent roughly 85 percent of all U.S. private investment in Latin America.

Senator CHURCH. What is its purpose?

Mr. HOBGING. The purpose of the council is to represent the generality of the interests of U.S. private investors in Latin America with the Latin American governments, with the Latin American business community, and with other sectors of Latin American opinion, U.S. agencies, anyone who makes an input into Latin America.

Senator CHURCH. Who is the head of it?

Mr. HOBGING. Mr. Jose de Cubas.

Senator CHURCH. What is the size of the council's annual budget?

Mr. HOBGING. It is on the order of \$750,000.

Senator CHURCH. Has the council been interested, in connection with its work in the past, in formulating guidelines for corporate conduct in Latin America?

Mr. HOBGING. We have in the sense that it has been written into the speeches of the chairman, it has been written into various of our papers.

Senator CHURCH. And it has been a matter of interest to the council, has it not?

Mr. HOBGING. The whole question of corporate social responsibility is something to which we addressed ourselves in most of the sixties.

Senator CHURCH. Yes.

So it has been very much a subject on your mind?

Mr. HOBGING. Yes.

#### PROPRIETY OF FUND OFFER TO CIA

Senator CHURCH. Would you regard the offering of a substantial sum of money to the CIA for the purpose of finding the candidacy of one of the presidential aspirants in Chile an act that would conform to the guidelines of proper conduct which the council has considered?

Mr. HOBGING. No.

Senator CHURCH. This would, in your judgment, be a very improper thing for an American company to do, would it not?

Mr. HOBGING. Yes.

Senator CHURCH. I think those are all the questions I have.

Thank you, Mr. Hobbing, for coming.

That concludes the testimony for today. The hearings will commence tomorrow at 10 o'clock.

[Whereupon, at 4 p.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, March 29, 1973.]

# THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

THURSDAY, MARCH 29, 1973

UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church [chairman] presiding.

Present: Senators Church, Fulbright, Case, and Percy.

Also present: Mr. Levinson and Mr. Blum, of the subcommittee staff.

Senator CHURCH. The hearing will please come to order.

Our first witnesses this morning are Mr. William Bolin of the Bank of America, and Mr. Ronald Raddatz of the Bank of America, who will appear together.

Gentlemen, if you will come forward, and both raise your right hand to be sworn.

Do you both swear that in these proceedings you will tell the truth, the whole truth and nothing but the truth so help you God?

Mr. BOLIN. I do.

Mr. RADDATZ. I do.

Senator CHURCH. Please be seated.

I understand that you have submitted a written statement in conformity with the committee rule. If you wish to read the statement, please proceed. We will question you afterwards.

## TESTIMONY OF WILLIAM H. BOLIN, SENIOR VICE PRESIDENT, BANK OF AMERICA

### OPENING STATEMENT OF MR. WILLIAM H. BOLIN

Mr. BOLIN. Mr. Chairman and committee members, I am William H. Bolin, senior vice president of the Bank of America and head of the bank's Latin American Division.

The Bank of America has been asked to supply the committee with information concerning its role in Chile before, during, and after the election of the Unidad Popular candidate, Dr. Salvador Allende.

### MUTUALLY BENEFICIAL RELATIONSHIP WITH CHILE

For many years, Bank of America has enjoyed mutually beneficial relationships in Chile both with the Government and with private

entities. It was in the light of this favorable experience that the Chilean Government made it clear that we would be welcome to open branches in that country. In 1967, we did so, under specific official licenses which included acquisition of a small local bank. We were told by the Chilean Government that we were expected to use commercial banking to serve a wider segment of the public. Of course, we also provided an additional vehicle in the country to channel credit for the development of the economy. These objectives were pursued constructively during the few years our branches were in operation in Chile, and we have had satisfactory relations with both the previous and present governments.

#### BANKING HIGHLY CONTROLLED IN DEVELOPING COUNTRIES

Banking in developing countries such as Chile is highly regulated by the local governments in order to direct scarce resources to those areas where the Nation feels they would be most productive and to assure compliance with local standards of sound, ethical management. This takes such forms as regulated rates, variable reserve requirements on deposits, and regulations setting the type and volume of lending activities. There is extensive reporting of all activities. Additional controls are exercised via labor contracts and taxes. Therefore, continuous good working relationships with the banking authorities are absolutely essential for successful operation. It is not practical, feasible or profitable for us to try to conduct business in a country in which the government tells us we are not wanted.

#### SALE OF BANK NEGOTIATED

In the case of Chile, it was well known already before the September, 1970 presidential elections that the Unidad Popular's economic program called for the nationalization, within the law, of the private banking sector. This view was also being voiced in some segments of the opposition parties. Therefore, when we were requested by the government of Dr. Allende, at the beginning of February 1971 to negotiate the sale of our branches in Chile, we were prepared to do this on the basis of mutual interest. Partly because of this basic policy, we were the first foreign bank in Chile to come to a mutually satisfactory agreement with the government for the sale of our branches.

#### BANKING ACTIVITY CONTINUES

After this sale, at the request of the present Chilean Government, we opened a representative office in Santiago which we still maintain. While our banking activity with Chile has greatly diminished, it has not stopped and our relations continue to be satisfactory.

Over the years, we have had frequent discussions with the Chilean private sector and with the private sector in the United States involved with that country, as well as with the Chilean and U.S. Governments in order to understand developments in that country as they could affect our bank and its clients.



## POLITICAL AND ECONOMIC UNCERTAINTIES IN CHILE

At all times when there are uncertainties concerning the political and economic climate in a country where we have substantial interests, we do our best to keep ourselves informed as fully as possible from all sources which come to our attention. Other lenders and our clients similarly seek information from us. This was particularly true with regard to Chile immediately before and after the Allende election, and a continuous stream of information came to me and my staff from many sources.

## MEETINGS OF AD HOC COMMITTEE ON CHILE

Included in this information were two memoranda written for the files by Ronald Raddatz, then our assistant representative in Washington, who attended two meetings in Washington several months following the inauguration of Dr. Allende. Mr. Raddatz attended these meetings for our Vice President and Representative, Mr. Robert James, at the invitation of the International Telephone & Telegraph Co.'s Washington representative. Present at these meetings were the Washington representatives of various firms with interests in Chile. We have supplied to the committee these two memoranda. [See Appendix I, p. 528, and testimony pp. 44-45.]

These memoranda primarily recall expressions of opinion by the ITT representative concerning attitudes in various segments of the U.S. Government. Mr. Raddatz's role was to listen and report, since he was not involved in either the making or the implementation of bank policy concerning Chile. His reports were of little concern since our bank was already in the midst of negotiations in which there was no foreseeable role for the U.S. Government. The events described were worth reporting only as one opinion on possible U.S. Government action which could possibly affect in some manner our business and our relations in Chile.

## LENDING ACTIVITY IN CHILE

We have been asked to comment on our lending activity in Chile. The most important point to note in this respect, again, is the unique dependence of a bank on good relations with the host government. This dependence upon our host makes it unthinkable to run the risk of political involvement. It is the global policy of the Bank of America to avoid completely any type of political position in the countries where it operates. In all of the countries where we operate abroad, we carefully refrain from partisan political announcements, campaign contributions, loans to political groups, and all other political activities.

Our criteria for international lending are based first of all on the financial soundness of the borrower and his environment, and secondly on the outlook for the ability to transfer repayments into dollars. The latter is judged by the country's balance of trade and payments and hence its present and projected foreign exchange position. There is also the question of willingness to repay, judged by the history of meeting obligations as well as by current statements of intention. Finally, our policy is also influenced by the attitudes of our own bank-

ing supervisory authorities who have a statutory power and duty to comment on the collectability of our loans.

In the particular case of Chile, our outstanding loans to this country increased during the years 1968 and 1969 due to the favorable balance of trade and the improving economic and foreign exchange position of the Nation, reaching a peak at the end of the latter year. Credit remained at more or less that peak level during 1970. In October 1970, we asked various correspondent banks in Chile to hold usage of the revolving short-term lines of credit extended by us to them from the United States at approximately the level of their usage during 1970. That is, these lines (mainly for trade financing up to 180 days) would continue to revolve, with old loans being repaid and new credits being booked, always within the approximate total amount outstanding during 1970. This adjustment was made because we believed that the uncertain economic and political outlook might result in a contraction of trade credit to the country for imports. If we did not take some measure, the credit being granted by other firms and banks would be shifted, in effect, to our own books. While we were prepared to continue our own relations, we were not prepared to take over the credit of others. A secondary consideration was our ceiling under the Federal Reserve voluntary restraint program which, in any event, made it inconvenient to have large unused commitments to correspondent banks which might be subject to sudden usage.

Our branches in Chile conducted their deposit and loan activities primarily in Escudos and the volume of these activities remained essentially constant during 1970 and 1971.

#### DOLLAR FINANCING SUSPENDED

The branches also had a certain volume of dollar transactions consisting principally of import financing similar to the financing for Chilean correspondent banks under the previously mentioned short-term revolving lines of credit. Any increase in this dollar import business caused by shrinkage of credit from other sources also would represent an increase in our risk on Chile.

We felt that there was a distinct possibility that the foreign exchange regulations would be changed sharply by the incoming government, and hence the method and therefore the risk of transfer of payment into dollars was uncertain.

For these reasons our branches in Chile suspended for a period of several weeks any further import financing in dollars. This step, like the adjustments in the credit lines to correspondent banks, had the effect of holding our total Chile risk to essentially the 1970 level. Subsequently, this business was resumed on a reduced sale, related to our appraisal of the banking risks, until the sale of the branches. After that, of course, we were no longer involved with credit at the local level, although we continued to grant some credit to the country from abroad.

#### LOANS REDUCED, REFINANCED

Our short-term credit outstanding remained at approximately this 1970 level until December 1971, when the President of Chile (who then had been in office for a year) announced that the country could not

meet its current maturities and therefore had to request refinancing of its foreign debt. At the same time, all transfers aboard from Chile were suspended (although they later resumed on a reduced scale). The majority of our medium-term loans were then refinanced over a 7-year period in accordance with the Government's request. The remainder of our credit to Chile consisted of the short-term revolving lines of the type mentioned previously. These were suspended by us in December 1971, and then later resumed on a lower level with selected borrowers.

The Bank of America's action in reducing the volume of its loans to Chile thus was due to the country's unfavorable exchange outlook and business environment plus official statements that the country could not pay its external obligations. This would be the normal course for any private commercial bank toward such a borrower.

Senator CHURCH. Thank you, Mr. Bolin.

Mr. Blum will commence the questions.

#### THE PRE-ELECTION PERIOD

Mr. BLUM. Mr. Bolin, I would like to begin by asking you whether you were approached or whether, to your knowledge, anyone at the Bank of America was approached in the period prior to the popular election in Chile for a campaign contribution?

Mr. BOLIN. No; we were not; to my knowledge, we were not.

Mr. BLUM. You were not approached for a campaign contribution. Were you approached by an American to contribute to a fund which might support causes in that election?

Mr. BOLIN. To my knowledge, we were not.

Mr. BLUM. Did you make any approach to the U.S. Government to assist one party or another in that Chilean popular election campaign?

Mr. BOLIN. No; we did not.

#### THE POST-ELECTION PERIOD

Mr. BLUM. Turning to the period between the popular election and the congressional election, were you approached by any American company with the suggestion that you assist in a plan to create economic chaos in Chile?

Mr. BOLIN. We have seen references to that in the testimony and were puzzled by it. I was in charge of our business then as now, and have no recollection or any record of any such approach, and I rather systematically asked of anybody in our bank who may conceivably have been approached, from the then chairman of our board, Louis Lundborg, to every level of the organization, to the general branch manager of our operations in Chile, and no one has any recollection or record of any such request of us.

Mr. BLUM. No one has any recollection of a request by any American corporation or by any agency of the American Government?

Mr. BOLIN. By anybody.

Mr. BLUM. By anybody. So you were not approached with any plan to create economic chaos?

Mr. BOLIN. I might say if we had been, it certainly would have been—

## BANK POLICY ON POLITICAL INVOLVEMENT

Senator CHURCH. If you had been, Mr. Bolin, what would have been the bank's policy?

Mr. BOLIN. Well, it would have been completely contrary to the general policy that I mentioned, and would have been rejected on those grounds, if no other, but more specifically, would have been directly contrary to our own interests at that point of time because we had every reason to expect that we would be approached by the Chilean Government with a proposal to sell out our branches and that we would be able to negotiate this satisfactorily if the environment of our negotiations were right and that did, in fact, occur.

Senator CHURCH. In your statement you lay out the policy of the Bank of America. Incidentally, is not your bank the largest in the world?

Mr. BOLIN. Yes, we have the largest deposits of any private bank.

Senator CHURCH. And your policy, as put forth in your prepared statement, reads as follows:

This dependence upon our host makes it unthinkable to run the risk of political involvement. It is the global policy of the Bank of America to avoid completely any type of political position in the countries where it operates. In all of the countries where we operate abroad, we carefully refrain from partisan political announcements, campaign contributions, loans to political groups, and all other political activities.

So, if you had been approached in this period and asked to assist in the plan to create economic chaos in Chile, you would have said "no" on the grounds that such a plan would have been contrary to the established policy of the bank. Is that not so?

Mr. BOLIN. That is correct.

Senator CHURCH. Another reason to say no, if I understood you correctly, was that such participation would have been contrary to the interests of the bank in connection with on-going negotiations with the Chilean Government?

Mr. BOLIN. That is correct.

## SALE OF BANK HOLDINGS TO CHILE

Senator CHURCH. According to you, those negotiations were satisfactorily consummated. To use your own words—

We were the first foreign bank in Chile to come to a mutually satisfactory agreement with the government for the sale of our branches.

You further stated that—

While our banking activity with Chile has greatly diminished, it has not stopped and our relations continue to be satisfactory.

I take it from those two statements, that when the Chilean Government adopted its program to nationalize the banking activity in Chile, it did so in a way that led at least to a satisfactory negotiation between Chile and your bank in connection with the takeover?

Mr. BOLIN. Yes.

I would not say that we got everything in those negotiations that we thought we really should have gotten, but it was not—it was a mutually and satisfactory arrangement in the end. We had thought it would have been appropriate for us to have some compensation for

the value as a going business. We had taken over a very archaic local bank and had put a lot of blood, sweat, tears and money into modernizing it, and we felt there should be some recognition of the fact that the thing they were taking over was a more efficient enterprise than before. But in the end, we yielded to this, and the amount they paid us was, in fact, precisely the amount that we originally invested.

Senator CHURCH. You mean they paid you book value?

Mr. BOLIN. This was not very far from book value when the negotiations started. It was above book value when they ended because, due to regulations put into force by the government, the operations had meanwhile become unprofitable, and hence our local capital was being eroded. But actually, both sides finally just despaired of trying to establish what the correct value was and we said in effect, "Why do you not just give us our money back now," and they said "No." We said, "Give it to us over a period of time," and so the deal was made.

Senator CHURCH. Without meaning to imply that you got all you thought you should have gotten, would it be fair to say that in these negotiations with your bank, the Chilean Government did not act in an arbitrary or confiscatory manner?

Mr. BOLIN. No, not in the negotiations as such. I might say that meanwhile there had been various regulations within the regulatory authorities of the government, the net effect of which was to make it impossible to conduct the banking business profitably.

Senator CHURCH. Yes.

Mr. BOLIN. So aside from that sense, it was a satisfactory environment, almost cordial at times.

Senator CHURCH. Mr. Blum.

#### HISTORY OF BANK'S CHILEAN OPERATIONS

Mr. BLUM. I would like to develop, just briefly for the record, Mr. Bolin, the history of those branches in Chile.

You bought the bank in Chile in what year?

Mr. BOLIN. We went in in 1967.

Mr. BLUM. You went into Chile in 1967. I take it, when you went in you were aware of the political climate of the country. You went in fully aware of whatever risks there might be of a change in government or administration. Is that correct?

Mr. BOLIN. That is correct. I must say our analysis did not entirely turn out to be accurate. [Laughter.]

#### OPIO INSURANCE

Mr. BLUM. At the time you invested in Chile, did you purchase OPIC insurance for those branches?

Mr. BOLIN. No, we did not.

Mr. BLUM. Why didn't you?

Mr. BOLIN. The government did not express enthusiasm for our making any appreciation for it. In any event, the insurance is very closely worded so the question simply did not come up in detail.

Mr. BLUM. Would it be fair to say that you analyzed the insurance program in terms of a return on the premium you would pay, and decided that you would not be getting your money's worth? It was better to take your own risk?

Mr. BOLIN. Yes. That, I think, is often the case, but I do say that in this specific case the Chilean authorities with whom we were in contact made it known that they did not look with very much favor upon our applying for it.

You understand that each OPIC policy requires a specific governmental approval in the host country, and in some countries this is quite elaborate and in Chile apparently it was quite elaborate and they really said, "Oh, if it is not essential don't apply."

Senator CHURCH. Can you tell me why, in your opinion, the Chilean Government at that time looked with disapproval on your obtaining an OPIC contract?

Mr. BOLIN. I do not think I would want to speculate on that. We did not really pry into their reasons. It was sufficient that, on the one hand, it was of probable marginal usefulness to us and, on the other hand, we saw some hesitation on their part, so there just was not any real motive to pursue it further.

Senator CHURCH. Do you not have an opinion as to why they might have looked adversely upon an OPIC contract?

Mr. BOLIN. No, I do not think I do, other than perhaps this cumbersome of the procedure.

Senator CHURCH. We are talking now about the Frei government are we not?

Mr. BOLIN. Yes, we are talking about the Frei government.

Senator CHURCH. Is it possible that the Frei government might have disliked the OPIC contracts because they created an identity of interest between the private companies obtaining such insurance and the Government of the United States?

I do not want to overstate the case. But the effect of a contract of this nature in which the government, through OPIC, guarantees American private companies against expropriation, is to give the Government of the United States a financial stake in any company that might be threatened. If I understand the terms of the contract correctly, it even subrogates the Federal Government to such rights as the company might have against the host governments in case OPIC must pay on the insurance. So this creates a bond, a very large measure of common interest, between the government and the private company once such a contract is made. Is that not true?

Mr. BOLIN. Well, if the Chilean authorities had any—figuring along those lines, they did not express it to us. They did grant other OPIC coverage, so I do not know about that.

Senator CHURCH. You simply do not know in this case why they were adverse to OPIC coverage?

Mr. BOLIN. We just did not delve into it with them because it was not that interesting to us.

Senator CASE. Mr. Chairman, may I just ask a question for information here?

#### HOST COUNTRY ATTITUDE TO OPIC INSURANCE

When you talk about OPIC coverage, would you get a separate policy for each loan you made?

Mr. BOLIN. That is correct. It is something very akin to a very specifically worded insurance policy against certain very specifically defined risks, and each such policy has to be specifically approved by

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the host government and, in effect, a judgment made by the host government that this constitutes—that there is an economic motive for the country to induce that sort of investment, and this, in some countries it is a very easy procedure and in some it is very lengthy and complex.

Senator CASE. It is related very much to the degree of internal control of the economy of the country, I would take it.

Mr. BOLIN. I should think it would, as well as their evaluation of the direct economic usefulness of the investment.

Senator CASE. That is what I am saying; in other words, the Chilean Government controlled or affected borrowing that was made in Chile by your bank and watched the applications loans and for insurance. The Government's no might be almost the same as approval of the **loan or disapproval of the loan**. Did the Chilean government care about whether your bank was insured or not by the U.S. Government, or was it the matter of the soundness, in their judgment, of the borrowing and lending transactions that they were interested in?

Mr. BOLIN. They really did not express to us their reasons.

Senator CASE. What was your sense of it?

Mr. BOLIN. They said they would rather we did not and it was not all that interesting to us so we did not pursue it. We had other things of more importance that we did pursue with them.

Senator CASE. You were getting insurance were you not, for investment in your banks?

Mr. BOLIN. That is what I was really talking about.

As I understood, it was our investment in the bank.

Senator CASE. But that would only apply to subsequent money that you put in. You could not insure your past investments?

Mr. BOLIN. That was our initial and only, as far as I can recall, equity investment in the country.

Senator CASE. I see. When you first went into Chile?

Mr. BOLIN. Yes.

Senator CASE. This is what we are talking about, I am sorry.

Mr. BOLIN. It was at that point. It would have been, you see, before we made any commitment to make that first investment that we would have had to have taken out any OPIC insurance concerning that first investment and we opted not to pursue that.

#### VALUE OF INVESTMENT IN CHILE

Senator CASE. What was your investment?

Mr. BOLIN. It was \$2 million.

Senator CASE. What did you do with the \$2 million?

Mr. BOLIN. With the \$2 million we largely acquired the net assets and liabilities of an established local bank. That is to say a local bank, it put it self, that corporation, into liquidation in effect and sold us the net assets. We assumed the liabilities and they sold us the assets and we paid the difference.

Senator CASE. Did you operate from one house or did you have branches?

Mr. BOLIN. We had a total of six branches and we later added a seventh.

Senator CASE. You mean for \$2 million you got six branches and a central office?

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Mr. BOLIN. Yes; these were rather modest little things, I must say, and we pushed them to try to grow up.

Senator CASE. Did you put any more money into an investment?

Mr. BOLIN. No.

Senator CASE. So your investment really of the Bank of America's money was really \$2 million?

Mr. BOLIN. Yes; and it is being paid back, the mechanics of our sellout were that they paid us in cash for the amount of our investment and then we turned around and made a 5-year loan to them, and that loan is now partially repaid as to principal and interest.

Senator CASE. Now, in other words, you do not own the local banks any more?

Mr. BOLIN. No.

Senator CASE. Any loans you make are loans by the American Bank to—

Mr. BOLIN. To local institutions, local banks.

Senator CASE. And the government?

Mr. BOLIN [continuing]. Or government development entities, yes. We are doing very little, but we are doing a little and it is mainly with a couple of the government corporations.

Senator CASE. Did you get any money out of Chile during your operations of the bank?

Mr. BOLIN. Did we get any profits out?

Senator CASE. Yes.

Mr. BOLIN. Yes; we did.

Senator CASE. That of course has all stopped now?

Mr. BOLIN. Yes.

Senator CASE. Thank you, Mr. Chairman. I just wanted to get a picture of this thing.

#### THE BILATERAL INVESTMENT GUARANTY TREATY

Senator CHURCH. I am advised by Mr. Levinson that the investment guarantee treaty that would have to be made between the United States and Chile in order to subrogate the United States to any rights that private companies might have resulting from expropriations without compensation was never consummated. President Frei decided not to submit the treaty for ratification to the Chilean Congress, apparently because of his belief that the Chilean Congress would have refused to ratify it.

I just point that out.

Mr. BOLIN. Perhaps this was then the reason that they said to us we should not pursue it.

Senator CHURCH. That is why I want to make the record complete in that regard.

Mr. Blum would you continue with questions?

Mr. BLUM. If I may, I would like to direct some questions to you, Mr. Raddatz. What was your position with the bank in 1971?

#### TESTIMONY OF RONALD RADDATZ, BANK OF AMERICA

Mr. RADDATZ. As of that time, I was the assistant Washington representative living here in Washington.



## THE AD HOC COMMITTEE ON CHILE

Mr. BLUM. You attended a number of meetings of what ITT has called in their memos, the "ad hoc committee on Chile." Is that correct?

Mr. RADDATZ. I attended two meetings, I never knew anything about it being called an ad hoc committee on Chile.

Mr. BLUM. To your best recollection, did you receive a copy of the minutes of the meetings that were distributed by Mr. Merriam?

Mr. RADDATZ. No; I never saw any minutes of either of the meetings I attended.

Mr. BLUM. So your two memorandums, one dated February 9 and another one dated March 10, are your record of those meetings, is that correct?

Mr. RADDATZ. That is correct. These are my impressions of what went on at those meetings.

Senator CHURCH. What did you understand the purpose of the meetings to be, Mr. Raddatz?

Mr. RADDATZ. As I understood the purpose of the meetings was to get together a group of representatives of U.S. companies that had interests in Chile to discuss the current situation in Chile.

Senator CHURCH. Simply to discuss it, or was there some other purpose?

Mr. RADDATZ. As far as I knew when I attended the meetings, it was to discuss what was going on. I had no idea who was going to be there and I went directly as an information gatherer.

Senator CHURCH. After you had attended the meetings and reported to Mr. Robert L. James, giving him an account of what transpired at these meetings, did you understand that their purpose—at least insofar as ITT was concerned—was to bring pressure on our Government to take a sterner stand against the Allende regime?

Mr. RADDATZ. I would have to say that that is probably quite true. I think, as I stated in my memo, ITT at the meeting did try to encourage the people attending to make contacts in our Government in various areas to express their concern about what was going on and to perhaps have the Government take a sterner position.

Senator CHURCH. Reading from your memo to Mr. Robert L. James dated February 9, 1971, from the second paragraph:

ITT believes that the place to apply pressure is through the office of Henry Kissinger. They feel that this office and the CIA are handling the Chilean problem. They feel that Assistant Secretary of State for Latin American Affairs, Charles Meyer, is not deeply involved in this problem and therefore contact should not be made through him. The State Department's role is relatively minor.

Does that paragraph accurately reflect your understanding of the ITT position as expressed in the meeting?

Mr. RADDATZ. I would say yes, this expresses my understanding of what was said at the meeting.

I might add that I am not quoting anyone here. This is a paraphrasing of what went on.

Senator CHURCH. Yes; I appreciate that. [For full text of memorandum see pp. 44-45 of testimony.]

## DEBT REPAYMENT

Senator CASE. Mr. Chairman, I would just like to ask a question that occurred to me.

You were paid in cash, and you then reloaned the money on 5-year notes, did you say?

Mr. BOLIN. Yes.

Senator CASE. Were they payable—

Mr. BOLIN. In dollars.

Senator CASE. In dollars. Have you had any servicing?

Mr. BOLIN. With interest, yes, both interest and principal.

Senator CASE. I see. How much have you gotten back?

Mr. BOLIN. Altogether, something slightly less than \$1 million, I believe. There were in fact also some other loans that we made at the same time, and on the specific one for \$2 million, it would have to be on the order of several hundred dollars of principal payment that was received as well as interest. The notes are entirely up to date.

Senator CASE. What were the other loans you made?

Mr. BOLIN. There were also held in the branch some dollar bonds of the Government of Chile. These had been bonds which all banks in Chile were required to purchase before we bought that bank and had been in the portfolio. These were due, and we insisted that these be paid, and rather than pay them immediately, the Chileans asked us to make them a loan also over a 5-year period, that would constitute their obligation to pay.

Senator CASE. What was the amount of investment in those bonds?

Mr. BOLIN. Slightly over \$1 million.

Senator CASE. I see. So altogether you had about \$3 million there and both of those investments were refunded?

Mr. BOLIN. Into these loans and these loans are current. They did not have a grace period. They had payments beginning the first year.

Senator CASE. That was the extent of your commitment then?

Mr. BOLIN. Yes.

Senator CASE. Thank you, Mr. Chairman.

Senator CHURCH. Mr. Blum will continue with the questioning.

## PUTTING PRESSURE ON THE U.S. GOVERNMENT

Mr. BLUM. Mr. Raddatz, I would like to return to your memorandum of March 10 to Mr. James. [See Appendix I, p. 528.] It deals with a March 5 meeting at ITT's offices. I would like to read the beginning of the second paragraph, which says:

"Again the thrust of the meeting was for the application of pressure wherever possible in the U.S. Government."

I take it that the understanding among the corporate representatives was:

"Go out and see what you can do to get the U.S. Government to take a harder line." Is that correct?

Mr. RADDATZ. I would say this was expressed primarily by ITT and perhaps one of the copper companies, I do not remember which. I do not think the other corporations really were encouraging this as much as was ITT.

Senator CHURCH. In other words, the other companies were not doing much talking; they were mainly listening?

Mr. RADDATZ. I would say yes; that is correct.

Mr. BLUM. In other words, ITT was suggesting to others that they join in its efforts to get a sterner line taken with respect toward Chile?

Mr. RADDATZ. I would say yes, that is correct.

#### PUTTING ECONOMIC PRESSURE ON CHILE

Mr. BLUM. I would like to read the last paragraph on the first page of the same memorandum:

It was generally agreed that Latin America needs foreign sources of capital desperately and that the international banking organizations should make it clear that a healthy business climate is necessary to attract these funds.

And after mentioning the need for technical knowledge, the paragraph ends:

"This should be pointed out in all conversations."

Was it your understanding that ITT was in effect asking the bank people who were present to suggest to the Chileans that if they wanted a healthy situation; namely, the ability to borrow, they must pay ITT for the telephone company?

Mr. RADDATZ. No, I do not think so. I think at both meetings I attended. I think the thrust was toward making contacts in the U.S. Government. I do not remember anything being said at all about action in Chile itself or contacting Chilean representatives of any kind.

Mr. BLUM. They were asking you then to make clear to the U.S. Government that from the point of view of it was very important that American companies be compensated. Is that your understanding of what they were asking?

Mr. RADDATZ. No, I do not think they were asking that either.

I think they were just asking us, the people who were there, to just express the belief that they were concerned about the way the Government was moving, that the companies that were there were interested in investing in Chile, both at the time and in the future, and that in order to do so it had to be made clear, and that it should really be made clear through our Government that healthy business climate is necessary for investment to continue.

#### BANK ATTITUDE TO ITT SUGGESTIONS

Mr. BLUM. Mr. Bolin, I take it from your statement that the policy of the bank is simply to find out what was happening at these meetings and that this was never translated into action by the bank. Is that correct?

Mr. BOLIN. That is correct.

There were recommendations there by the ITT man that we approach the Government in various ways, but we did not because we were not seeking anything from the Government and, as a matter of fact, we thought the policy being followed was about right.

Mr. BLUM. You thought it necessary to know what the ITT people were talking about and what was being suggested for your own information purposes?

Mr. BOLIN. Well, as I say, it was of no direct interest to us in relation to what we were doing specifically at the time. I frankly did not even remember the memo until we dug it out of the files after your

inquiry. But what we were interested in, what would have been of interest to us in a general way, would have been the prospect for deteriorating U.S. relations with Chile.

One of the things that would have thrown out our own plan of action completely would have been a sharp deterioration of those relations, severing of diplomatic relations or whatever.

Senator CHURCH. Mr. Bolin, I just have one final question.

It is your bank's policy to scrupulously refrain from intervening in the political process of any foreign country in which you do business, and to refrain from partisan political announcements, campaign contributions, loans to political groups, and all other political activities. Is it your opinion that this policy, having been found sound for your own bank, is a policy that ought to be equally sound for other banks and other large American corporations operating in foreign countries?

Mr. BOLIN. Well, one is always attracted to his own judgments.

Senator CHURCH. Yes.

Mr. BOLIN. So I think I would think so.

Senator CHURCH. This has been the best judgment of your bank based upon your extensive global experience?

Mr. BOLIN. This has been a very good judgment for us. I think it has been shown time after time as governments have continuously changed in the places where we operate.

Senator CHURCH. Now, during this critical period in Chile, were you made aware at any time of any serious concerted effort involving American-owned banks or American-owned companies doing business in Chile to create economic dislocation, or economic chaos with the ultimate objective of debilitating, weakening, or eroding the Allende regime?

Mr. BOLIN. No, I don't believe so.

Senator CHURCH. Your testimony is consistent with other testimony we received yesterday afternoon from other banks and American companies. Whatever the role of ITT may have been, there was never any concerted undertaking on the part of American companies or American banks generally to create economic chaos in Chile?

Mr. BOLIN. That is my belief.

Senator CHURCH. That is your belief. I have no further questions.

Senator PERCY. I have no questions, Mr. Chairman.

I think that is the principal point which should be established on the record, and I think it is very important.

Senator CHURCH. Thank you very much, gentlemen, for helping us.

Mr. BOLIN. Thank you.

#### SENATOR CHURCH SUMMARIZES TESTIMONY

Senator CHURCH. Before I call the next witness, I think it might be helpful to read a brief summary of the testimony that has been taken thus far in these hearings with respect to the salient issues we have been investigating.

#### TESTIMONY OF MR. M'CONE

We know from Mr. McCone's testimony that he discussed with Mr. Helms the Chilean political situation in May and June of 1970

and expressed his concern to Mr. Helms that an Allende victory in the September 4 popular election would adversely affect the interests of the ITT Co. and other U.S. business in Chile.

We know also from Mr. McCone's testimony that he suggested to Mr. Helms that a member of Mr. Helms' staff meet with Mr. Geneen in Washington on July 16, 1970.

#### TESTIMONY OF MR. BROE

We know from Mr. Broe's testimony that he was instructed by Mr. Helms to meet with Mr. Geneen on that date and that he, in fact, did meet with Mr. Geneen in Geneen's hotel room at the Sheraton-Carlton Hotel. According to Mr. Broe's testimony, at that meeting Mr. Geneen offered to assemble a substantial fund to be used in support of the election of one of the Chilean presidential candidates, Mr. Jorge Alessandri. Mr. Broe has also testified that Mr. Geneen proposed that that fund be controlled and channeled through the CIA. Mr. Broe states that he refused this offer.

We know also that Allende was elected by a plurality of the vote on September 4, 1970. We know from Mr. McCone's testimony that Mr. Geneen discussed on or about September 8 or September 9 with McCone his concern over the Allende victory. As a consequence of this meeting, McCone went to Washington and met with Dr. Kissinger and Mr. Helms. According to Mr. McCone he offered a substantial sum of money in amounts up to seven figures in support of any U.S. Government plan which had as its objective the formation of a coalition in the Chilean Congress to block the election of Mr. Allende.

#### TESTIMONY OF MR. NEAL AND MR. MERRIAM

Mr. Neal in his testimony states that on September 11 he called Mr. Vaky and Mr. Meyer and stated to them that ITT was prepared to assist financially in sums up to seven figures. Mr. Neal states in his testimony that he did not specify for what purpose the money was to be used.

Mr. Gerrity in his testimony stated that the intended purposes of those funds was for low-cost housing and agricultural development.

We know also from Mr. Broe and Mr. Merriam that there was a series of meetings beginning September 22 between Mr. Merriam and Mr. Broe at which information was exchanged.

We know also from Mr. Broe's testimony that on September 29, upon instructions of Mr. Helms, he visited Mr. Gerrity in New York. He discussed with Mr. Gerrity the feasibility of various measures designed to create or accelerate economic instability in Chile as a means of putting pressure on the Chilean political situation. Both Broe and Gerrity stated that Mr. Gerrity's reaction to these proposals or suggestions was negative for the reason that they were considered unworkable.

#### TESTIMONY OF MR. KORRY

Mr. Korry in his testimony advised us that the Embassy in the pre-election period reported that opinion polls taken by the CIA or commissioned by it showed that Alessandri was likely to win the presidential election with approximately 40 percent of the vote.

## U.S. GOVERNMENT POLICY

Mr. Korry refused to state what instructions he received, if any, with respect to the Chilean political situation both before and after the September 4 election so we do not at this point know whether it was U.S. Government policy to oppose the election of Allende in the pre-September 4 period and, if so, by what means?

Nor do we know at this point whether it was U.S. Government policy in the past-September 4 period to oppose the election of Allende by the Chilean Congress and, if so, by what means.

For example, when Mr. Broe visited Gerrity in New York on September 29 pursuant to the instructions of Helms and discussed the feasibility of measures designed to create economic instability in Chile, in so doing, was he seeking to implement U.S. Government policy? If so, at what level had that policy been decided upon?

Was that policy a consequence of the initiatives taken by Geneen and McCone in their various visits with U.S. Government officials? Was Ambassador Korry or any members of his staff instructed to get behind the Alessandri formula or employ other means to try and stop Allende?

We must now turn to Mr. Meyer to enlighten us on this score.

**TESTIMONY OF CHARLES A. MEYER, FORMER ASSISTANT SECRETARY OF STATE FOR LATIN AMERICAN AFFAIRS**

Mr. Meyer, if you will come forward, please.

Mr. Meyer, would you please take the oath?

Do you swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MEYER. I do.

Senator CHURCH. Please be seated.

Mr. Levinson will begin the questioning.

Mr. LEVINSON. Mr. Meyer, the central question is this:

As Senator Church has just summarized, Mr. Broe has testified that on July 16, 1970, he met with Harold S. Geneen, president of ITT, in Washington, D.C., and that at that meeting Mr. Geneen offered a substantial fund to assist in the election of Jorge Alessandri, the Conservative candidate for President in Chile.

Mr. Broe further testified that he rejected this offer.

On September 29, Mr. Broe was directed by Mr. Helms to visit Mr. Gerrity in New York City. At that meeting Mr. Broe discussed with Mr. Gerrity various ideas as to how to promote economic stability in Chile.

**REPORTED CHANGE OF U.S. POLICY TOWARD CHILE**

Mr. Meyer, what happened to U.S. policy between July 16 and September 29 that would account for the reversal of roles by Mr. Broe?

Mr. MEYER. Mr. Levinson, I am glad you phrased the question that way, because I think one of the problems facing this distinguished committee, and to that degree the American public, is the distinction between policy and examinations of feasibilities or—

Mr. LEVINSON. Excuse me, Mr. Meyer, apparently they cannot hear you in the rear.

Mr. MEYER. They are probably lucky.

## CIA-ITT CONTACTS

I am glad you asked the question, Mr. Levinson, the way you did. You phrased the question that by virtue of a series of meetings between personnel of ITT and Bill Broe, which have been concordized, to use a Spanish Latin word, in Mr. Broe's testimony there was an indication of policy change.

I think very sincerely, that we run the risk collectively of mixing apples and oranges. It is fully within the Agency's prerogative, as I understand it and its constitution, so to speak—

Senator CHURCH. You mean by the Agency, the CIA?

Mr. MEYER. Forgive me, Mr. Chairman; yes, the CIA.

Senator CHURCH. It is sometimes called the "Company" and various other things. I want to be sure I know what you are talking about. [Laughter.]

Mr. MEYER. Fully within its functional responsibility to collect intelligence relative to situations worldwide, from both domestic and foreign sources, and I find personally that there is nothing that is sinister or that indicates a change in policy to have learned that Mr. Broe, on the 29th of September, had discussed or had explored, brainstormed, if you will, a policy option, if you will, in terms of economic pressures on Chile as stipulated, because it was not policy. The policy had not changed.

Senator CHURCH. Mr. Meyer, have you had an opportunity to review the text of Mr. Broe's testimony which this committee released yesterday relative to his meeting with Mr. Gerrity in New York on the 29th of September, 1970?

Mr. MEYER. The pages released, Mr. Chairman, yes.

Senator CHURCH. You have?

Mr. MEYER. Yes.

Senator CHURCH. Then you know that what transpired there was not an exchange of information or the collection of intelligence, but a series of proposals or suggestions made by Mr. Broe to Mr. Gerrity which, we must assume, were made with a serious purpose. And you know that these suggestions were of a nature and had clearly to do with the objective of creating economic chaos and instability in Chile had they been implemented by the ITT and other companies that were doing business there. What happened in New York goes far beyond collecting intelligence.

An agent of the CIA, acting on direction from his superiors, with a serious purpose in mind, made these suggestions, had offered, as it were, an operational plan.

Now the question is, was that operational plan consistent with the policy of the U.S. Government at that time toward Chile?

Mr. MEYER. Mr. Chairman, let me reiterate, and I do not mean to walk on the edge of a knife or anything in terms of splitting hairs. My reading of Mr. Broe's testimony, and I know of it only since it is released, is that he explored with Mr. Gerrity the action and reaction within Chile, which he clearly stated, of an advance of the economic deterioration which was going to occur anyway, as a potential effect on the congressional support or non-support of Dr. Allende.

He explored it, they brainstormed. Had it been adopted, it would have been a change in policy. It was not. It was—it disappeared.

Senator CHURCH. The transcript also establishes why it disappeared. Mr. Broe testified that in his opinion Mr. Gerrity's reaction to the proposal was negative because he apparently felt that the proposals were unworkable.

#### CONSISTENCY OF CIA ACTION WITH U.S. POLICY

What this committee would like to know is whether those proposals were in themselves consistent with or inconsistent with United States policy toward Chile at that time.

In other words, were Mr. Broe and the CIA operating in a way that violated American policy? Did you know that this meeting took place?

Now that you are aware of it, can you tell us whether such proposals made by an authorized agent of the CIA were, in fact, consistent with U.S. policy toward Chile at that time?

Mr. MEYER. Mr. Chairman, let me again say that it is my reading of the testimony that Mr. Broe proposed no firm course of action, but discussed with Mr. Gerrity the feasibility of a course of action which Mr. Broe clearly points out in his testimony, as I read it, Mr. Gerrity said, "Well, it will not work. Whatever it is, it will not work."

Senator CHURCH. Let me read—

Mr. MEYER. Excuse me.

Senator CHURCH. Please complete your answer.

Mr. MEYER. The concern that your committee properly, I think, exhibits is who was doing what with what and to whom at a point in time in the history of the United States-Chilean relationship, and I feel that misunderstandings creep into the difference between policy and implementation of policy, and the perfectly proper, in my opinion, free thinking that goes into policy options from A to Z before they become policy. And this is true day in and day out.

Senator CHURCH. Yes; Mr. Meyer, but this is not quite that situation. I do not suppose we would be questioning you if this conversation had to do with two members of your staff who were tossing options back and forth. This was a contact between an agent of the CIA and a high official of ITT. It therefore, takes on a different significance, particularly in light of this testimony.

Let me read it. Do we have a copy of the testimony to give to Mr. Meyer.

Mr. MEYER. Mr. Broe?

Senator CHURCH. Yes.

Mr. MEYER. I have it.

Senator CHURCH. If you have, it would be quite helpful.

You see Mr. Broe at this meeting with Mr. Gerrity was just not freelancing. He was there at the direction of Mr. Helms and with the authority of Mr. Helms, the Director of the CIA.

Mr. MEYER. Yes, sir.

Senator CHURCH. You have it there, Mr. Meyer.

Mr. MEYER. I have it, sir.



## BROE'S MEETING WITH GERRITY ON INSTRUCTIONS FROM HELMS

Senator CHURCH. If you will follow me, I asked Mr. Broe:

Did you call Mr. Edward Gerrity, the ITT Vice President in Charge of Government Operations and Public Relations to arrange a meeting with him in his office in New York to get something done in connection with the Chilean political situation or words to that effect?

To which Mr. Broe answered:

Yes, sir.

I then asked:

This call, once again, was made under the authority of your superiors?

Mr. Broe responded:

Yes.

I then asked:

And in full knowledge of your superiors?

Mr. Broe answered:

Yes.

I then asked:

Did Mr. Helms instruct you to call Mr. Gerrity to arrange such a meeting?

And Mr. Broe answered:

Yes, he did.

I then asked:

Did you meet Mr. Gerrity on September 29 or 30 in his office in New York City?

Mr. Broe responded:

Yes.

I then asked:

Did you discuss with Mr. Gerrity the feasibility of possible actions by United States companies designed to create or accelerate economic instability in Chile?

Mr. Broe responded:

I explored with Mr. Gerrity the feasibility of possible actions to apply some economic pressure on Chile, yes, sir.

I then asked:

## APPLYING ECONOMIC PRESSURE

What did you understand the purpose of applying economic pressure to be?

And Mr. Broe responded. I think this is very—this is the key to the question I will again put to you. Mr. Broe said:

Well, at the time, September 29, the Christian Democratic Members of Congress were showing indications of swinging their full support to Allende in the belief that they could make a political bargain with him. It was felt if a large number of congressmen. Christian Democratic Congressman, swung their support to him, he would take office with a mandate from the majority and he would be in a very strong position. At the same time, the economic situation had worsened because of the reaction to the Allende election, and there were indications that this was worrying the Christian Democratic Congressmen. There was a thesis that additional deterioration in the economic situation could influence a number of Christian Democratic Congressmen who were planning to vote for Allende.

This is what was the thesis.

My question is, was this thesis the stated purpose for discussing ways and means to bring economic pressure to bear in Chile consistent with American policy at the time?

Mr. MEYER. The policy—

Senator CHURCH. The policy of the Government of the United States at the time?

#### U.S. POLICY OF NONINTERVENTION

Mr. MEYER. The policy of the Government, Mr. Chairman, was that there would be no intervention in the political affairs of Chile. We were consistent in that we financed no candidates, no political parties before or after September 8, or September 4, rather, and—

Senator CHURCH. Then does it follow that the serious discussion of this thesis and ways to implement it by Mr. Broe with Mr. Gerrity on September 29 conflicted with the policy of the American Government toward Chile?

Mr. MEYER. Forgive me, Mr. Chairman, but let me reiterate, and I know this is a redundancy so forgive me. But appropriately, I think it is important that we remember that during the period really covered in this chronology, we are talking of three Chiles. If you go beyond the September 29 date we are talking of three Chiles: the Chile of the tail end of the Frei administration during the popular elections, the Chile during the period September 4 and October 24, and the period subsequent to Dr. Allende's confirmation by the Congress.

The policy of the United States was that Chile's problem was a Chilean problem, to be settled by Chile. As the President stated in October of 1969, "We will deal with governments as they are."

I do not find, in total sincerity, sir, anything inconsistent with the Agency, as I now know, having explored the possibility or a series of possibilities that might have been inputs to changed policy but were not.

Senator CHURCH. I would not quarrel with the fact that the CIA had a continuing responsibility to make a continuing assessment of the situation, to make proposals within the government that it felt were called for to change American policy. But we are talking about a CIA agent meeting with a high official of ITT and laying before that official a plan of action which, as it happened, was rejected. And when you say, "as I now know," you imply that at the time you did not know that such a meeting was taking place. Is that correct?

Mr. MEYER. That is correct.

Senator FULBRIGHT. What did he say?

Senator CHURCH. He said he did not know.

#### THE FORTY COMMITTEE

Senator FULBRIGHT. Are you a member of the Forty Committee?

Mr. MEYER. No.

Senator FULBRIGHT. Who represented the State Department? Did you attend?

Mr. LEVINSON. The Under Secretary of State, Mr. Chairman.

Senator FULBRIGHT. You did not participate?

Senator CHURCH. Excuse me, Senator, but you did in fact participate did you not, in the Forty Committee meetings relating to American policy toward Chile?

Mr. MEYER. Excuse me, Mr. Chairman.

As an ex-member of the Government, I am somewhat frankly concerned about the earmarking of mechanisms of the Executive Branch in a specific National Security Council mechanism. I did attend meetings, without specifically naming the committees as such or the catch words, but I did attend meetings, not necessarily all of them, but meetings relative to the policy on Latin America and in this instance on policy in Chile.

Senator CHURCH. You were aware at all relevant times what the American policy toward Chile was, were you not?

Mr. MEYER. Yes, sir.

Senator FULBRIGHT. Mr. Chairman, I do not understand, "American policy." Does that mean the CIA and the State Department? He keeps saying yes, but he does not bring out the point.

Senator CHURCH. I am trying to get to this very point, Senator Fulbright. When I speak of American policy, I am speaking of the policy of the American Government, the policy adopted by the highest councils, whatever you choose to call them, the policy of the President toward Chile implemented by the State Department. And at all times during this period you were participating in the process of making that policy, and you knew what the policy was. Is that correct?

Mr. MEYER. That is correct, sir.

Senator CHURCH. All right.

In this very period, the meeting transpired between Mr. Broe of the CIA and Mr. Gerrity. We have read from Mr. Broe's testimony as to what occurred at that meeting. You have testified that you did not know the meeting took place?

Mr. MEYER. That is correct, sir.

#### CONSISTENCY OF BROE SUGGESTIONS WITH U.S. POLICY

Senator CHURCH. Now, I have asked you before, and I ask you again, based upon this transcript of what took place at that meeting, was the meeting and Mr. Broe's role in the meeting consistent with the policy of the American Government toward Chile on September 29, 1970?

Mr. MEYER. The policy of the American Government in September 29, 1970, Mr. Chairman, was that the political future of Chile was a Chilean decision and a Chilean mechanism. The fact, and I am not being unduly stubborn—

Senator CHURCH. Then is the answer to my question no?

Mr. MEYER. What, that this was not a part of the policy?

Senator CHURCH. Yes.

Mr. MEYER. And that is my point sir, it was not policy. The fact that an exploration of feasibility was undertaken was not policy.

Senator CHURCH. Had you known of the meeting and what was to transpire there, would you have approved it?

Mr. MEYER. I am always hesitant to be absolutely black and white about hypothetical situations.

Senator CHURCH. Well, it is not a hypothetical situation.

Mr. MEYER. No, I mean had I known. I do not think I would have objected, Mr. Chairman, to the principle of asking questions in a period in Chile's constitutional history which would have followed the line that here are a series of possibilities that can happen before anybody is elected President of Chile.

What are the factors that would influence one way or the other; that would not bother me a bit to undertake that question."

Senator CHURCH. But I think it is you who put the hypothetical question.

Mr. MEYER. Yes.

Senator CHURCH. We know what transpired at this meeting; we know what Broe proposed. We know that the purpose of the proposals, which we must assume were serious, had to do with influencing the outcome of the congressional election by creating conditions of economic stability in Chile. That is what the meeting was all about.

#### CONSISTENCY OF BROE MEETING WITH POLICY OF NONINTERVENTION

I want to know whether such a meeting is consistent or inconsistent with what you say the policy of the Government was, which was one of strict nonintervention.

Is such a meeting consistent with that policy or is it not?

Mr. MEYER. To my way of thinking, Mr. Chairman, it is, how should I say, inconsistent but permissible because the Government of the United States, in any of its manifestations, including in-house in my bureau, in my opinion, has the responsibility constantly to examine what actions are open to them that may be at variance with established policy.

#### CIA ACTION WITHOUT STATE DEPARTMENT KNOWLEDGE

Senator CHURCH. Do you think it is proper for an agent of the CIA to meet with a high executive of the ITT and lay out a series of actions of this grave nature, that go right to the heart of American policy with regard to a foreign nation, and the State Department not even know about it?

Mr. MEYER. Again, Mr. Chairman, this is something I know that preoccupies you and, if I may be personal, Senator Fulbright; I know it has preoccupied you in the past. And I know that within the Government and within policy limits and within the pursuit of policy objectives and policy options, government, wherever it is, Defense, Treasury, Commerce, State, CIA, everybody, talks to people. They do not necessarily, in the pursuit of their, if you will, statutory responsibility tell the Department of State who they are talking to nor do we tell them.

Senator CHURCH. This is something of a nature quite different from what is connoted by the innocent phrase "talking to people."

This is a meeting between the Agency in the CIA who was in charge of clandestine operations in Latin America, who was directed by Mr. Helms to meet with a high official of the ITT Co. and lay out a course of action which would create economic chaos, and even suggest other companies that might take part in such a course of action. I think that is quite a different thing than just talking with other people. What is more, this all apparently took place without the knowledge of the State Department.

If the ITT had decided the plan was feasible, and had pursued it, and if other American companies had agreed to it, it would have had the most profound consequences for American foreign policy. Therefore, this is not just a question of talking to other people. This was a step, a serious step, and I find it hard to believe that such a

contact would be made and such a series of proposals laid out under the authority of the CIA Director, Mr. Helms, if, in fact, such action was contrary to what you have said was the policy of the American Government at the time, namely, strict nonintervention.

Mr. MEYER. Correct, that was the policy at the time, Senator Church, and you have asked the question would it have been serious had ITT decided the plan was feasible. Had ITT decided the plan was feasible, this would not make the policy. It would make it a policy option.

Senator CHURCH. May I first let Senator Fulbright ask a question and I will come back to you.

#### PRIOR APPROVAL OF 40 COMMITTEE

Senator FULBRIGHT. I only want to clarify it.

It seems to me there is an ambiguity here about policy. It is my understanding, and you need not be so sensitive about the 40 Committee, everybody knows about the 40 Committee, you are not revealing any secrets, this is the coordinating committee centered in the National Security Council and I thought it was set up, if any place, to coordinate the policy as among national security agencies, and including the CIA and the State Department. That is why I think you evaded the question, if it gets down to what is policy. I mean whose policy, what is the Government's policy?

I think the answer to the question did this committee—which we are all aware of, it has been discussed at length—know of and approve the Broe visit and what he said there?

You have said, if I understood it, the State Department as such did not know. It may be that you did not. I do not know whether the Secretary of State knew or not. You do not know, do you, whether he was aware of Broe's meeting with Genseen. You only testify that you yourself were not aware of it.

Mr. MEYER. I testified I did not know about it, Senator Fulbright.

Senator FULBRIGHT. You did not know about it. Can you say, or did you know whether this matter was considered by the 40 Committee? We have had other testimony that someone on Dr. Kissinger's staff had very close, well, was consulted by ITT, et cetera; that is in the record, I believe. Is it not, Mr. Chairman?

Senator CASE. Yes; by Mr. McCone. He went to see him.

Senator FULBRIGHT. It seems to me, what we are getting at, and what I suspect, is that one hand does not always know what the other is doing in our Government, and this is what we are interested in.

The State Department policy in reviewing it looks as if it was all right. But CIA was going over to a frolic of its own at the request of Mr. McCone without even the knowledge of you or possibly the Forty Committee, I am not sure. It looks as if he is responding to a request by a former Director of CIA regardless of what the Government's policy is. That is the way it looks unless you can clarify it.

Mr. MEYER. Well, Senator Fulbright, let me go back a little bit to the beginning of your analysis of the NSC mechanism. NSC mechanism is more than a policy coordinating mechanism. It is also a mechanism that evaluates policy options.

Senator FULBRIGHT. And determines it, I would not deny that, yes.

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## STATE DEPARTMENT ADHERES TO POLICY OF NONINTERVENTION

Mr. MEYER. Yes; and my contention, and I think it is valid, and I apologize if it seems inconceivable to you, is that the policy option potential in this period, and I go back to the three Chiles, in this period between September 4 and October 24, there was constitutionally no Chilean President, not yet.

Now, we were religiously and scrupulously adhering to the policy of the Government of the United States.

Senator FULBRIGHT. Of nonintervention?

Mr. MEYER. Of nonintervention. We bought no votes, we funded no candidates, we promoted no coups.

Senator FULBRIGHT. I personally called the State Department and urged that policy and they assured me that was the policy. I am not disposed to question that was your policy. What is bothering us is it looks as if the CIA was going off in another direction and you did not know, were not aware of it, and I was asking, do you know whether or not the Forty Committee did know about it and approve it.

Can you say yes or no?

Mr. MEYER. I do not know.

Senator FULBRIGHT. You just do not know.

That was the answer I was trying to get.

Did they know about it? You say you do not know. Well, that is an honest answer if you did not know.

Senator CHURCH. Mr. Meyer, Mr. Broe, as you know from your reading of the transcript, not only had his conversation with Mr. Gerity on September 29, but he had other subsequent contacts with ITT officials.

## TELEPHONE CONVERSATION BETWEEN BROE AND RYAN

I want to call your attention to a telephone conversation between Mr. Broe and Mr. Ryan, that took place on October 6, 1970.

Mr. MEYER. I have it, sir.

Senator CHURCH. I asked Mr. Broe:

Did you suggest in that telephone conversation something like a run on the banks?

Mr. Broe replied:

That again I just cannot recollect talking about because all my conversation on the economic matters had focused on how the deteriorating economic situation could be accelerated. But we did not talk about a run on the banks.

Then Senator Percy asked:

Would that not be a natural outgrowth of it though, lack of confidence, widespread public—

And Mr. Broe interrupted:

Well, the period was a very short period. We are talking on September 30th and the elections were October 24th. Anything that might be done by the companies was just something that might be done quickly, so that the Congressmen could get it as an indication, an impact. It was not a program that was going to go for the next six months or a year or anything like that. That is why I just never have talked to anybody about a run on the banks that I could recollect.

## PROGRAM OF ECONOMIC DISTRESS

Well, now, I think when we piece this together, Mr. Broe was talking to ITT about a program of action, the purpose of which was to create economic distress quickly so as to influence the result of the congressional election, and all that was done with the knowledge and under the authority of Mr. Helms.

I cannot square this kind of activity with what you say the policy of the State Department was at the time toward Chile, one of strict nonintervention. Can you square it?

Mr. MEYER. Yes, sir, and I have tried to.

## PROPRIETY OF CIA-ITT CONTACTS

Senator CHURCH. Well then, your understanding and my understanding of strict nonintervention must be very different.

Mr. MEYER. Well, may I say again, Mr. Chairman, that reading this testimony, you asked me a question a moment ago as to whether I thought it was proper for the Agency, the CIA, to be talking to ITT. It is perfectly proper for them, for any branch of the Government to talk to any corporate citizens in the United States.

Senator CHURCH. But this is normally speaking.

Mr. MEYER. Of course, I realize that.

Senator CHURCH. Of course, nobody disputes the fact that any agency of the Government has the right to talk to American companies or vice versa. We are not talking about an exchange of information, but we are talking about a program that was quite specific and had an acknowledged purpose.

Mr. MEYER. I cannot, and I should not speculate as to any of this scenario, and I specifically do not want to say that I think that a personal contact in government, out of government, is utilized properly or improperly, not having been part of it.

But the fact which is before us in Bill Broe's testimony that he talked to Gerrity. I do not know who Ryan is, I do not know most of these people.

Senator CHURCH. Ryan was an ITT official here in Washington.

Mr. MEYER. I see. That he talked to Gerrity about, he explored the feasibility of a series of steps to increase economic pressure on Chile, is, in my considered opinion, Mr. Chairman, not inconsistent with or should not cause the total concern that you and your committee seem to feel because it never became policy.

Here is my point, the policy retained its nonintervention characteristic.

Senator CASE. May I just interrupt a little bit?

Mr. MEYER. Yes, Senator Case.

Senator CASE. When you say policy, do you mean overt action? Is that what you are precisely saying here?

Mr. MEYER. Yes.

## PRESIDENTIAL CONCERN

Senator CASE. Overt action directed by the President is what you are talking about?

Mr. MEYER. I am talking about policy.

Senator CASE. Was there not a meeting of the National Security Council Committee—the Forty Committee—which you attended after the September 4 election day, and was not that election discussed in very serious terms at the direction of the President?

Mr. MEYER. I am not sure, Senator Case, whether—

Senator CASE. Do not take my adjectives and get around it.

Was there a meeting held?

Mr. MEYER. Yes.

All I wanted to say, I am not sure it was at the direction of the President. I do not know.

Senator CASE. Was the President's concern about the election mentioned at that meeting by anybody?

Mr. MEYER. We were all concerned, Senator Case.

Senator CASE. Was the President's concern mentioned?

Mr. MEYER. Not that I specifically recall in honesty because we had been working on a Chilean policy since—

Senator CASE. Be sure you tell me. Did no one at that meeting say the President is concerned and wants something done?

Mr. MEYER. Well, this, I say in total sincerity, Senator Case, not that I recall, and I think it is above my authority or responsibility to attribute attitudinal remarks to anyone.

Senator CASE. I am asking you, was something said by anybody at that meeting indicating the President's concern? That is what I am saying. I am not asking about anybody's attitude. Did someone say it, was something said?

Mr. MEYER. Let me think. Well, in total honesty, Senator Case, I would be equally erroneous to say yes, as I would to be saying no.

Senator CASE. Because it would be perfectly natural for something to be said.

Mr. MEYER. Of course, we were all concerned about it.

Senator CASE. We were all concerned about it. I don't say this is anything strange. We are just trying to get the facts, that is all.

Mr. MEYER. I don't recall a reflection of the focus.

Senator CASE. You were there at such a meeting?

Mr. MEYER. I am not sure of the meeting. As I told Senator Church, I was at several.

Senator CASE. What else happened at the meeting? There was discussion and what was the nature of it?

Mr. MEYER. Discussion, sir.

Senator CHURCH. May I ask right there one question, please? At that meeting, the one that took place after the popular election and before the congressional election of Mr. Allende, was American policy changed?

Mr. MEYER. At no time, Senator Church, which is what I have been trying to say, was American policy changed.

Senator CHURCH. Senator Percy.

#### FORTY COMMITTEE MEETING BEFORE CHILEAN POPULAR ELECTION

Senator PERCY. Was there a meeting, Mr. Meyer, of the Forty Committee before the election, and I ask that question because the charge has been made by American corporations involved that the Admin-



istration was so preoccupied in Indochina that it really had not focused on this problem. So I ask, Was this the first meeting after the election that the Forty Committee held to discuss the situation in Chile?

Mr. MEYER. As I told the chairman, Senator Percy, I was not always an attendee of meetings of this Committee so that I would have to do a little research to find out whether or not there might have been a meeting to which I did not go as a principal, if you will, but I rather—well, I just don't know whether there was a meeting I did not attend. The first one I attended was after the popular election.

Senator PERCY. It is a matter of record in this memorandum February 9, 1971, from the Bank of America, in which the meeting of American business representatives in Washington was reported, that:

ITT believes that the place to apply pressure is through the office of Henry Kissinger. They feel that his office and CIA are handling the Chile problem.

And I skip down to the final statement in that second paragraph:

The State Department's role is relatively minor.

#### ROLE OF STATE DEPARTMENT

Would you care to comment, as a former Assistant Secretary of State, as to whether in the matter of Chile the State Department's role was relatively minor, which was the judgment that was apparently reported by an ITT executive at that meeting?

Mr. MEYER. No, sir; I never think the State Department's role is minor.

Senator PERCY. Then I would like to return later for a series of questions relating to that because I think that the development of our foreign policy in this situation, for better or worse, is germane to the responsibility of this committee.

Senator CASE?

Senator CASE. Mr. Chairman——

Senator CHURCH. Yes, Senator CASE.

Senator CASE. I would like to go just a little further into this matter of the meeting held by the Forty Committee after the Chilean election. I think we established that concern was generally expressed about the results of the Chilean election. You don't remember whether anyone reported that the President was concerned or not?

Mr. MEYER. Specifically, no, I don't, sir.

Senator CASE. That is the extent of what you have said about the meeting so far.

#### VIEWS EXPRESSED AT FORTY COMMITTEE MEETING

Now, on the question of what was discussed, I think you just answered generally there was a discussion. That is the substance of your answer. That is not an answer, of course. What did, for instance, Dr. Kissinger say?

Mr. MEYER. Well, sir, I don't think it is appropriate.

Senator CASE. You can say this if you wish at this point. We will have to decide what we think about whether it is appropriate or not.

Mr. MEYER. No, Senator CASE——

Senator CASE. But your statement is you don't think it is appropriate for you to report what anybody said at that meeting, anybody?

Mr. MEYER. Yes, sir.

Senator CASE. How about yourself?

Mr. MEYER. Me, too.

Senator CASE. Why are we having this witness here, Mr. Chairman, really?

[Laughter.]

Senator CASE [continuing]. All we are doing is a lot of fencing. It is a waste of your time and ours.

Mr. MEYER. Forgive me, Senator Case, I had the understanding the objective was to discuss the policy of the U.S. Government vis-a-vis Chile.

Senator CASE. Indeed it is.

Mr. MEYER. Ex the statements of people that might lead into deliberations, and all that I wish to make constantly clear is that the policy remained constant.

#### A DEFINITION OF POLICY

Senator CASE. We are going to get very little out of this sparring. We may get a little something. What action constitutes policy as opposed to thinking about what we might do? What is required, in your judgment, and what definition of policy is guiding your answers to our questions?

Mr. MEYER. The definition of policy, Senator Case, is the policy of nonintervention.

Senator CASE. No, no, we are talking about what is policy. You say this is the policy. When does that become the policy? How is a change in it made and how is that change evidenced?

Mr. MEYER. Oh, gosh.

Senator CASE. Well, you used the word and make a great point of distinction between discussion and policy and I would like to know what policy is.

Mr. MEYER. Policy, Senator Case, is, I think the word is clear, is a course of action relative to anything in the interests of the United States, which is what we are talking about, the United States and the world around us, and that policy is developed through option, through the option system which involves the National Security Council, and that policy is susceptible to review constantly and should be—is not subject to change without the full agreement of the National Security System.

#### FORTY COMMITTEE DECISION ON CIA—COMPANY CONTRACTS

Senator CHURCH. May I ask at that point, Senator, given that definition of policy, and given your testimony that American policy did not change, it was consistent throughout this period, can you tell me whether at the meeting of the Forty Committee that did take place, following the popular election in Chile, whether it was decided, as a matter of policy, that the CIA should explore with ITT and possibly other companies doing business in Chile, the feasibility of stirring up economic troubles there to influence the Chilean Congress that was to vote on October 24 to install a new President?

Mr. MEYER. To my certain recollection, no.

## FOR WHOM DOES THE CIA WORK?

Senator CHURCH. Then, you see, what was ITT doing this for? What we are trying to find out is, is the CIA working for the Government of the United States or is it working for Mr. McCone or ITT? I mean is the CIA an agency of the Government that must operate consistent with the overall policy of the Government or does it just go off on its own?

We have testimony before us, we have testimony before us that Mr. McCone and others highly placed in the ITT were lobbying the Government, they were having conversations with Dr. Kissinger's people, and they were having a series of conversations with the CIA, and they were holding meetings in the ad hoc committee trying to get other companies to join them to bring pressure on the American Government.

Now, this is the context in which we are talking, and it is clearly established here on the record that the CIA did, in fact, go to the ITT and lay out a course of action to create economic chaos. It must have been done with a serious purpose, it couldn't have been frivolous. That action is inconsistent with a policy of strict nonintervention, and you tell us that the high policy councils of the Government never instructed the CIA to engage in such an exploration?

Mr. MEYER. To my knowledge no.

Senator CHURCH. Well, then, it does raise very seriously the question who does the CIA work for?

Senator CASE. I would just like to put in one question at one point. Is there a question pending?

Senator CHURCH. No, Senator Case, if you want to ask a question.

Senator CASE. Just one question: Did Mr. Helms get instruction at that meeting to pursue the possibility of any kind of action that would affect the congressional election in Chile?

Mr. MEYER. Well, Senator Case, forgive me, sir, but—

Senator CASE. This is in the area that you don't want to answer.

Mr. MEYER. This is in the specific instructions, the specific area, that I would like to avoid.

Senator CASE. Precisely.

## EFFECTIVE ELECTION ON CHILEAN ECONOMY

Mr. MEYER. What I would like to say, though, it may impart an implication of your question, and I thought I had touched, Mr. Chairman, on the fact that in the period in what I call the second Chilean period, between the popular election and the congressional election, there was a good deal of discussion—good deal of ferment within the broad United States of America in terms of "whether Chile," and it is perfectly obvious, "whether Chile," was also involved in what was going to happen to the Chilean economy, given Allende's election. What is going to happen within Chile prior to the congressional election? What will be the effect of whatever happens in Chile on the congressional election? All of these were circulated. I don't add the same degree of sinister influence perhaps maybe that I should, that Bill Broe at Dick Helms' suggestion would test the feasibility of a series of actions in terms of effect on the senatorial election. To me it is not out of keeping perhaps with the function of the CIA and whether

it was proper or not to discuss it with ITT goes back to your central question, Mr. Chairman.

Senator CASE. This is an interesting observation, and it isn't really an answer at all to my question.

Mr. MEYER. No, sir.

Senator CASE. Of course, that would apply whether there had been a meeting of the Forty Committee or not. I take it you would say this would be true?

Mr. MEYER. Correct, sir.

#### REFUSAL OF WITNESS TO REPLY

Senator CASE. And my question is not what might have been but what happened, and I take it that you are rather specific in refusing to answer my question on the grounds you think perfectly justified, my question is—

Mr. MEYER. You asked me—

Senator CASE. Did Dr. Kissinger ask Director—

Mr. MEYER. I said I didn't want to get into who said what in any given moment in this period.

Senator CASE. In other words, you do not wish to answer; you will not answer that question because you think you shouldn't?

#### FORTY COMMITTEE INSTRUCTIONS TO MR. HELMS

Mr. MEYER. In terms of personalities appended to ideas.

Senator CASE. Well, just answer the question: Did Dr. Kissinger ask Mr. Helms to take any particular course at the meeting?

Mr. MEYER. Yes, I would prefer not to answer the question in terms of specific instructions within the Government.

Senator CASE. Yes, but don't you see that without having answers to that question, or questions like that, we can't know what the policy was. I suggest that your generalization about what our policy was at the time is not in fact accurate.

Mr. MEYER. Which one?

Senator CASE. In June 1970 there was an earlier meeting of the Forty Committee. As a result of that meeting, did you have an exchange of messages with Ambassador Korry via Roger channel? Did you disagree personally with plans to interfere in the Chilean election but at the same time feel you had to go along with the decision of the Forty Committee?

Mr. MEYER. Here again, sir, I respectfully, sir, am constrained, I believe, from discussing the interchange messages and input of recommendations within the Government at this time.

Senator CASE. You see without having these specific answers we can't know whether your generalization about what American policy was has any relation to what it was in fact. I would accept that you think it ought to have been nonintervention, but whether it was that is quite a different matter. We can't determine that except by answers to rather specific questions of the kind that I have put to you.

Mr. MEYER. Yes, sir. But is it not appropriate again. A good deal of emphasis and, in my opinion, a great deal of undue emphasis has been placed upon a policy process of the Government of the United States, thanks to conversations held with multiple individuals of a single corporation with one point of view.

What I wish desperately to get across to the Committee, because I feel it very strongly, and I talked to the Committee priorly, of course, in the course of our relations with Chile is that the policy of the United States was one that recognized Chile's problem was Chile's problem, and was not to intervene.

Now, the fact there may have been conversations about which I was not aware between—

Senator CASE. We are not talking about those conversations; we are talking about very specific things.

Mr. MEYER. Yes.

#### INSTRUCTIONS GIVEN BY HIGHEST RANKING MAN IN GOVERNMENT

Senator CASE. We are talking about instructions given by the highest ranking man in our Government at the later meeting which you attended. We are talking about a decision taken at the earlier meeting at which I understand you were not present but nevertheless whose decisions had been communicated to you and which were the subject of messages from you to our Ambassador in Chile. These are specific things and if you can't answer those questions, then I think we are obliged to get them in some other way because they determine what our policy was in fact as opposed to what you think it should have been and what you would have preferred it to be.

Senator PERCY. You have told us, Secretary Meyer, that there is a range of possibilities for a course of action which could be pursued. But policy is not established until someone in authority says "Option C is the one we are going to go with."

We have already established by all kinds of testimony under oath that one option offered was that there should be economic chaos created, that there should be direct American intervention through agencies of the Government or American corporations.

#### DID MEYER OPPOSE INTERVENTION

During the course of those discussions, Secretary Meyer, did you yourself oppose any intervention on the part of the U.S. Government or any agency or entity thereof in any form in the Chilean political process in the post-September 4 period?

Mr. MEYER. Senator Percy, I find myself somewhat constrained to say my inhibition as expressed to Senator Case in terms of attributing specific attitudes to a given member of the Administration would in essence apply to me.

Senator FULBRIGHT. What ground do you take that on?

Senator PERCY. But other Government officials under oath have testified that there were proposals made.

Mr. MEYER. That there were.

Senator PERCY. By the Agency, and they had no inhibitions about saying that they did propose this as an option that could be followed. What we are trying to determine is whether you, as a top State Department official, felt that this option should be opposed?

#### GROUND FOR REFUSING TO ANSWER

Senator FULBRIGHT. Would the Senator ask him on what grounds does he refuse to answer?

You are not in the Government now and I don't see any legitimate reason you have for not answering it. I would like to have the record show why he feels he is entitled not to answer the question.

Mr. MEYER. Senator Percy and Senator Fulbright—

Senator FULBRIGHT. Not the Fifth Amendment, is it?

Mr. MEYER. Not the what? [Laughter.]

Senator FULBRIGHT. You are not alleging the Fifth Amendment. Just what ground are you alleging that you are not responsible to this committee?

Mr. MEYER. I don't know.

Senator FULBRIGHT. You are not responsible actually.

Mr. MEYER. I am not exactly sure that I know the grounds myself.

Senator FULBRIGHT. I don't believe you do. I don't know any ground.

Senator CASE. Then I think, Mr. Chairman, he should be directed to answer.

#### CONSIDERING POLICY OPTIONS

Mr. MEYER. Let me say to you, Senator Percy, you asked a question, this again may be a vague redundancy, but forgive me, Senator Percy pointed out and summarized the fact which, I think, is again clear to all of us that policy in a given situation is the result of the evaluation of a number of options which may run from A to A-minus or A to Z, and they are constantly, I hate to be redundant again, they are constantly reviewed in terms of changing circumstances.

In answer to your question, Senator Percy, in terms of the further question, Senator Fulbright, and your polite insistence, Senator Case, to me of my position as a Department of State officer, my position was consistently the advocacy of the cool and correct policy toward Chile, recognizing that Chile's political future and economic future was Chile's economic and political future.

Senator PERCY. I appreciate that answer, and it is very forthright and clear. Were you then advocating a position supported by the Secretary of State?

Mr. MEYER. May I once again say, Senator Percy, that the policy that we in my Bureau advocated, and I used "I" and that is erroneous because it is a team, was and is the policy of the United States.

#### CLAIMS CONSISTENT POLICY BEFORE AND AFTER ELECTION

Senator PERCY. Was the State Department position then with respect to Chile after the election overruled by higher authority, such as the National Security Council and the President of the United States?

Mr. MEYER. When you say "after the election" I assume you mean between the popular congressional election.

Senator PERCY. The popular election, September 4.

Mr. MEYER. No.

Senator PERCY. It was not overruled?

Mr. MEYER. No.

Senator PERCY. So that consistently and steadily then, both before and after the election, the policy of the United States of America was nonintervention?

Mr. MEYER. Yes.

## VIOLATION OF U.S. POLICY

Senator CASE. Wasn't that policy violated by Dr. Kissinger, by Mr. Helms, by Mr. Broe?

Mr. MEYER. There, Senator Case——

Senator CASE. And weren't their actions, weren't their directions in our actual policy different from your theoretical position that you regard as cool and correct?

I know it is very difficult to answer when policy becomes policy and when it is changed. But I suggest that an attitude toward a country held by the Department of State may be different from actions taken in regard to that country by the President, by Dr. Kissinger, or by the CIA. In that case, then I say those actions are our policy, not the attitudes of the State Department.

Mr. MEYER. Were that to be the case, I would agree. The actions would be policy.

Senator CHURCH. Wasn't that the case, Mr. Meyer? You know——

Senator CASE. But you can't talk about it because you can't tell us what happened. So we really are just fencing around about words.

## DID CIA ACTIONS EXCEED AUTHORITY?

Senator CHURCH. The executive branch or some part of it, in this case the CIA, obviously told the ITT a lot more about the policy toward Chile than this committee was ever told. There were no economic chaos options floated before this committee, either overtly or covertly. But I submit to you, Mr. Meyer, that a fair reading of the transcript of what transpired in the Broe-Gerrity conversation in New York, September 29, comes down to this: He went there instructed to say as to Mr. Gerrity "Here is something for you to do. Stir up some economic chaos. Here are some American companies for you to contact," and the purpose of this is to influence the Chilean decision. Now, was this done with the knowledge of that committee that formulates policy, the Forty Committee? Was it done at the direction of the Forty Committee? I am not asking you to say who said what to whom. I am asking you whether the committee that is charged with making these high policy decisions authorized and directed the CIA to make such a contact and float such a proposal before a high official of ITT.

Mr. MEYER. As categorically stated, Senator Church, specifically and categorically not to my recollection.

Senator CHURCH. Not to your recollection. Then we must conclude that this was done by the CIA on its own. The CIA was being lobbied by the ITT, and they had a little thing going, and the fact that ITT finally didn't buy it is all that the record shows as to why it didn't go through. ITT decided it was not workable.

Now, I think it is a serious matter, that is what this hearing is all about, that is why this committee has been mandated by the Senate to explore this whole question, to determine what the CIA is doing, what its connection is with big American companies, and what these big companies are doing, and how it all relates to the foreign policy of the United States.

## PUBLICATION OF ANDERSON PAPERS AIDS ALLENDE

Senator PERCY. Mr. Chairman, may I supplement that by stating that one of the conclusions that seems to be borne out—but I would like reaffirmation of it by Secretary Meyer—is that a change of policy in this particular case, or at least the orbiting of the thought that a policy had been changed, as revealed by the Anderson Papers, was a windfall for Allende, and hasn't it strengthened the Allende government and accomplished exactly the reverse of what was intended in all the options and proposals?

This is a judgment, Mr. Meyer, that I am asking you to make because this is the judgment of some of our most prominent banks and business interests.

Mr. MEYER. Senator Percy, the publication of the Anderson Papers was certainly, I think without any question, a disadvantage for whatever ITT was trying to—it operated contrary to whatever ITT was trying to accomplish by its alleged activities, in Washington, and certainly was not—was less than the desirable image which would have been preferred in Chile itself.

It gave Allende a windfall. It gave American business another dirty name.

Senator FULBRIGHT. Was it a name they didn't deserve, if it had taken place? If all of these things had not taken place there wouldn't have been any Anderson Papers. You can't count on doing these things and not being caught, I mean.

Senator PERCY. Well, specifically in your judgment, do you think that a windfall was handed to Allende by these revelations that have come out?

Mr. MEYER. Political?

Senator PERCY. A political windfall, that he is stronger politically because of the publicity than he would have been if there had been no such publicity and no such intervention by private or public interests.

Mr. MEYER. Well, when you say "intervention." Senator Percy, you mean involvement because there was no intervention per se.

Senator PERCY. Involvement?

Mr. MEYER. Yes.

Senator PERCY. That is an attempt outside Chile by non-Chilean interests to take an interest in—

Mr. MEYER. The internal affairs of Chile.

Senator PERCY. So that whatever was proposed or done was contrary to established American foreign policy.

Mr. MEYER. I think it tended to—your question is did it give President Allende a political windfall.

Senator PERCY. And did it strengthen him politically right up through recent events.

Mr. MEYER. It is hard for me to specifically state that the result of the Anderson Papers publication had had a direct effect on the Chilean by-elections. One could take a position honestly that it didn't because all of the institutional elections leading up to the by-elections ran the other way. Politics is volatile everywhere and particularly so in Chile. I think it provided the advanced Left in Chile with another thing to use against the private sector more than against the United States of America.



Senator PERCY. So that, in effect, he is in a stronger political position—

Mr. MEYER. Some part of it is political.

Senator PERCY [continuing]. Than he would have been otherwise, and we have accomplished exactly the reverse of what was intended.

Mr. MEYER. Correct.

#### WHAT WE COULD HOPE TO ACCOMPLISH

Senator PERCY. What we could hope to accomplish, if it is true, is that there wasn't a change of official American foreign policy; that there was not a conspiracy of American companies; that this was not a pattern of multinationals in their operations abroad; and that whatever is alleged, hopefully, is an isolated incident and not a part of the way we do business abroad or a part of American policy which has traditionally been, for the most part, nonintervention in domestic affairs of another country.

Mr. MEYER. Senator Percy, yes, sir; and I think the understanding, my understanding, of what I have seen of the private sector's testimony before this committee, would certainly indicate there was no conspiracy of the American private sector in terms of Dr. Allende or Chile in any of its manifestations. Probably on the contrary.

Senator PERCY. I think the Chairman and the staff have brought before us sufficient witnesses to prove that to even the most doubtful individual. That is on the record now and, in your judgment, is confirmed by all of your knowledge. Is that true?

Mr. MEYER. Yes, sir, and I contend with pride that that is equally true of the policy of the United States.

#### ITT SUCCESSFUL IN LOBBYING CIA

Senator CHURCH. Yes, but whether it is true of the policy of the CIA is another question. I am afraid that the record before us, as it now stands, suggests that ITT did successfully lobby the CIA for and in behalf of a covert operation, and the CIA came up with one. ITT says we turned it down because it is not workable. The purpose of that operation was to create economic chaos with the objective of influencing the congressional elections of Mr. Allende. It was all done apparently without knowledge of the State Department and not at the direction of those who have the responsibility for determining American policy. That is how the record stands at this point.

Mr. MEYER. Senator Church, that is a clear summation, but I do not read Bill Broe's testimony as one in which orders of Richard Helms went to anyone of the ITT and said "Will you do this?"

#### REASON FOR BROE PROPOSALS

Senator CHURCH. Why did he make the proposals?

Mr. MEYER. I don't know why he made a proposal to ITT; I don't know why he made the proposal.

Senator CHURCH. Certainly he didn't make them for the purpose of having them rejected, did he. He didn't make them frivolously.

Mr. MEYER. Let me simply repeat that after the time in what I call the second Chilean period, between elections, there were all kinds of,

attentions paid, not only in the Government, to all of the facets of Chile-watching. A good deal of attention paid to the fact that Salvador Allende by the constitution of Chile was not yet the President of Chile and a great many ideas, including as you well know the Chilean concept of the Alessandri gambit were floated and I don't find it sinister, sincerely I don't find it sinister, to have the CIA ask a question as to feasibility of a program without implying, and I do not read that this implies, that it would be pursued by the Government of the United States.

Senator CHURCH. I think the transcript should speak for itself. I just can't agree with you. I can't reach the conclusion that you reach in my examination of this transcript.

Mr. MEYER. OK, sir.

Senator CHURCH. Senator Fulbright.

#### FOREIGN RELATIONS COMMITTEE HEARINGS ON U.S. POLICY TOWARD CHILE

Senator FULBRIGHT. I have a short question. I remind you I don't think it has been called to your attention that the witness, I believe, and Mr. Irwin came before the Foreign Relations Committee along about this time. Do you remember that?

Mr. MEYER. Yes, sir.

Senator FULBRIGHT. And there were members of the Foreign Relations Committee, including myself, who wanted to be reassured about the policy of the country, and you did assure us at that time that our policy was nonintervention.

Mr. MEYER. That is correct, sir, I remember it well.

Senator FULBRIGHT. You did not, I believe the record will show—it was in executive session but we have a record—you did not discuss with the Committee the so-called options or the suggestions that the CIA was discussing with the ITT, did you?

Mr. MEYER. I did not, Senator Fulbright.

Senator FULBRIGHT. You did not, that is right.

Mr. MEYER. Nor did I know they were.

Senator FULBRIGHT. You didn't know they were. Well, that is an honest answer—I think it is true, and it is consistent with what actually happened.

When you talk about the policy of the United States, you really are talking about the policy as you saw it and know about it in your shop: that is all you were talking about. You do not undertake to say that the CIA is not following another policy, do you, in all your remarks?

Mr. MEYER. Well—

Senator FULBRIGHT. You don't know, you didn't know, did you?

Mr. MEYER. I do not believe, Senator Fulbright, that the CIA—

Senator FULBRIGHT. If you don't know, why do you believe anything? You say you didn't know.

Mr. MEYER. Because my responsibility, sir, was this again. The CIA has its quasi-legal authority to pursue the search of the gathering of information, et cetera, et cetera.

Senator FULBRIGHT. But you are not here to say you know they don't depart from that policy; you are not saying or trying to say the CIA has not ever gone beyond its authority. You wouldn't take that position, would you?

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Mr. MEYER. That it has never gone beyond its authority?

Senator FULBRIGHT. You are trying to say they have such and such authority and never have gone beyond it?

Mr. MEYER. No, I am saying they have an established authority and there is, at least in my 4 years, no instance of the CIA embarking on a policy decision.

#### NO VALID GROUND TO REFUSE TO ANSWER

Senator FULBRIGHT. Mr. Meyer, it seems to me there is an ambivalence about your attitude. You refuse to talk about certain things and then you say you don't know on what grounds you are refusing it. I believe I understood you to say you didn't know what grounds you were refusing to talk and answer certain questions. I don't know either. I don't think you have a valid ground to refuse to answer Senator Case's questions. That is another matter.

But coming back to this, it isn't your duty to try to make a case for CIA. They can speak for themselves. If I understood you correctly, you say you don't know a number of things, and I accept that, about the CIA's activities.

Mr. MEYER. Yes, sir.

Senator FULBRIGHT. You knew about your activities.

Mr. MEYER. Correct.

#### CIA SUGGESTIONS TO COMPANIES

Senator FULBRIGHT. You said what that policy was. A moment ago when they called attention to certain actions taken by the CIA, and specifically Mr. Broe, you said action is not policy. Now this is a very curious answer, it seems to me. I want to center on this September 29, 1970, telex from Mr. Gerrity to Mr. Geneen. It was discussing a visit with Mr. Broe and it specifically states what Mr. Broe suggested ITT do. These were actions taken by CIA, by Mr. Broe, about which you didn't know anything. I gather you didn't know anything about it. Is that correct?

Mr. MEYER. That is correct, sir.

Senator FULBRIGHT. You have before you that particular telegram. There he is giving the specific idea, this was Mr. Broe. The idea he "presented, and with which I do not necessarily agree, is to apply economic pressure," and goes on, banks should do this, companies should drag their feet, et cetera, the fifth point says:

A list of companies was provided and it was suggested that we approach them as indicated. I was told that of all of the companies involved ours alone had been responsive and understood the problem. The visitor added that money was not a problem. He indicated that certain steps were being taken but that he was looking for additional help aimed at inducing economic collapse. I discussed the suggestion with Guilfoyle. He contacted a couple of companies who said they had been given advice which is directly contrary to the suggestions I received.

#### WAS CIA COURSE CONTRARY TO STATE DEPARTMENT POLICY

He does not say that he was given advice by you by State because if you are correct, your policy was contrary to that of the CIA. It seems to me here you have a clear indication that Mr. Broe, in pursuance

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of his responsibilities to the CIA was following a directly contrary course. Why you say it is not policy, leaves me a bit puzzled. He was pursuing actions, taking actions, in pursuance of the policy of the CIA. It has been said he was doing it at the direction of Mr. Helms. Mr. Helms was doing it at the direction or request of Mr. McCone, so you have two entirely different operations going on simultaneously.

You can honestly say, sure, nonintervention is our policy. And I can't say it isn't your policy, the Secretary of State's policy, or that of the Under Secretary of State because Mr. Irwin came, and you came, and you all said this was our policy about that same time, as our record will show. But the record also pretty clearly shows that Mr. Broe was saying the opposite, was suggesting intervention, and specifying intervention with all the details, a lot of details right there and "Money is no object."

The CIA has plenty of money, so much that none of us know what the sum is, it is concealed. We suspect it is all the way from \$1 to \$4 billion. We don't know what it is. They don't tell us. I don't think they have got any better grounds to refuse to answer than you have, but so far we have been unable to find out.

But in any case, this shows clearly, it seems to me, as the Chairman says, that you have got two policies. You have your policy and you have the CIA's policy.

Senator CHURCH. CIA policy and State policy.

Senator FULBRIGHT. And the CIA's policy was supplemented, implemented, by action by Mr. Broe.

#### GISSINGER PRESS BRIEFING

Senator PERCY. Mr. Chairman, I would like to ask Secretary Meyer to comment on something Dr. Kissinger said. He held a press conference for a group of midwestern editors in Chicago on September 16, 1970. [See Appendix I, p. 541.]

He said:

So I don't think we should delude ourselves that an Allende takeover in Chile would not present massive forces in Latin America, and indeed to the whole Western Hemisphere. What would happen to the Western Hemisphere Defense Board, or to the Organization of American States, and so forth, is extremely problematical. So we are taking a close look at the situation. It is not one in which our capacity for influence is very great at this particular moment now that matters have reached this particular point.

You have stated clearly and unequivocally for the record that there was no change in American foreign policy. Is it conceivable that such a change in foreign policy could be made affecting Chile in Latin America, an area of your direct jurisdiction, without your knowledge?

Mr. MEYER. No.

Senator PERCY. It is not?

Mr. MEYER. No.

Senator PERCY. The State Department, we recognize, cannot always prevail on every issue, as there is a higher authority. That higher authority is the National Security Council and the President of the United States. The President had the authority to overrule the State Department in this case. You consistently said you supported and the Secretary supported a policy of nonintervention. You state that there is no way that that policy could have changed without your knowledge.

## CIA INTELLIGENCE GATHERING MISSION

Senator PERCY. So there was no change.

Could I suggest theory? Do you suppose the CIA could have been on an intelligence-gathering mission in New York with Mr. Garrity to find out what American corporations intended to do that was perhaps contrary to American policy, and that he was orbiting certain ideas to get their reaction to them and determine what they intended to do? Is that a possibility?

Mr. MEYER. Yes, Senator Percy, it is a possibility. We have before us Mr. Bill Broe's testimony.

Senator CHURCH. Yes; we do.

Mr. MEYER. We have before us Mr. Gerrity's memorandum to which you just referred, Senator Church, there is some disparity between those two in terms of tonality.

Senator CHURCH. I don't know what tonality means, but I see in both a series of suggestions that were made by Broe to the company to take action that would create economic chaos. And if this was done to trick ITT in some way to determine whether companies might be embarked upon such a policy, it is a strange way to undertake a mission of that kind.

Senator PERCY. I raise the question, Mr. Chairman, because if the policy of the United States is clear and the CIA knows what that policy is and if CIA is aware there may be American corporations wishing to intervene as a breach of that policy, wouldn't they almost have a mandate to find out? It may be a farfetched thought but—

Senator CHURCH. Well, yes.

Senator PERCY. And it certainly would be a shock to ITT.

Senator CHURCH. ITT was already sharing all of its cables with Broe long before Broe went up to this meeting. I think if one were to accept this as a possible explanation, one could also accept the company's contention that the purpose of the money they were offering, the million dollars, was to build houses and give technical assistance to Chilean agriculture, which has been testified to here. It is a question of plausibility. You know we can only go so far in our capacity—

Senator FULBRIGHT. For accepting fairy tales.

Senator CHURCH. Yes; our capacity for accepting fairy tales is just so great.

If I don't let Mr. Levinson ask a question or two he is going to jump right over this table. [Laughter.]

## ALLENDE VICTORY A SURPRISE

Mr. LEVINSON. Let me back up for a minute.

Mr. Korry testified the other day that the Embassy was reporting that Alessandri would win with approximately 40 percent of the vote, so the Allende victory, or when he won the plurality on September 4, must have come as something of a surprise.

## FEASIBILITY OF CREATING ECONOMIC CHAOS

Now, you have testified that in the aftermath of the September 4 election there was, in fact, a meeting of the Forty Committee which you, in fact, attended.

You also testified, in response to Senator Church's question, as to whether or not the Committee had directed Mr. Helms to send Mr. Broe out to determine whether creating economic chaos in Chile was a feasible alternative as a means of bringing pressure on the Chilean political situation. To that specific question you gave a specific answer and you said no.

Therefore, I think it ought to be possible for you to respond yes or no to the following question: As a result of that meeting, was Mr. Helms instructed to seek to determine the feasibility of various means, without specification as to any specific means, of effecting the Chilean political situation at that time? Since you answered Senator Church categorically, no, with respect to his question, I don't think that we are violating any directive or any other category in seeking to elicit a yes or no answer to that question.

Mr. MEYER. Jerry, my recollection is that, and again I was going to apologize to Senator Case, this will hedge it a little bit in any case, but let me say I don't recall specific directions being given to Dick Helms to do A, B, C, D, E, F, H, or I.

Mr. LEVINSON. Let me put it to you again in these terms: You have testified that in the period prior to the September 4 period, U.S. policy, as you understand it and as it was understood and supposedly implemented at the highest levels of the U.S. Government, was nonintervention in the Chilean political process.

Mr. MEYER. Right.

Mr. LEVINSON. The purpose of the meeting in the post-September 4 period was to precisely determine whether that should continue to be the policy.

As one component in seeking to determine whether that should continue to be the policy, was Mr. Helms asked to determine what feasible alternatives might be developed which could effect the Chilean political situation and might therefore lead the committee to conclude that the nonintervention policy should be changed to intervention?

Mr. MEYER. Not specifically, Jerry.

Mr. LEVINSON. What do you mean "not specifically?"

Mr. MEYER. There was a considerable interest, as I have already said, in the Chilean constitutional system which would prevail between September 4 and October 24 and all of those present were interested quite obviously in knowing what the developments of and by Chile might happen at any developmental point between September 4 and October 24.

#### REVIEW OF MR. MEYER'S REFUSAL TO ANSWER

Senator CHURCH. We have another subject that we must question you about. I want to say, though, before we move into that subject, that the questions that Senator Case and some other members of the committee have addressed to you this morning, which you refused to answer, will be carefully reviewed when the transcript of this hearing is available, and the committee will consider the propriety of directing you to answer those questions. If, in the committee's judgment, this is a proper course of action, we will ask you to return so that such questions can be put to you.

Senator PERCY. Mr. Chairman, I would like to say as a member of the committee that I support the policy I have outlined to the Chairman that should any matter be sensitive to the national security of this country, that the witnesses be permitted to testify under oath in executive session. Then if we directed you to make public those statements, we would have to assume the responsibility for the impact of their release on national security. In this case, I ask that this procedure be followed.

Senator CHURCH. I know of no case where that has not been the procedure we have followed. I think we do generally agree on matters of procedure.

#### PURPOSE OF ITT CONTRIBUTION

Now, when we had Mr. Neal before this committee, and certain other ITT officials, including Mr. Merriam, we received testimony that the \$1 million that the ITT stood ready to give to the CIA, if the CIA developed a Government plan, was really intended for constructive purposes. Various things have been suggested: To build houses, to give technical assistance to agriculture, to help promote further economic development, and that this is all that the ITT had in mind when it offered the money to the Government.

It was also testified that Mr. Neal was the man chosen by ITT to communicate this to you, and you were the one who was chosen because you were at that time Assistant Secretary of State for Latin American Affairs.

Now, with that background, turn to a memo dated September 14, 1970, please. This is a memo that Mr. Neal wrote to Mr. Merriam which relates his conversation with you:

Early Saturday morning I telephoned Assistant Secretary of State for Latin American Affairs, Charles (Chuck) A. Meyer at his office. I repeated to him the same run-down I gave to "Pete" Vaky. "Chuck" said he could understand Mr. Geneen's concern and appreciated his offer to assist. He said State is watching the situation as closely as possible and awaiting the October 24 date when the Chilean Congress decides the winner.

What was Mr. Neal's offer to assist?

Mr. MEYER. Senator Church, I have covered some of this informally with Messrs. Levinson and Blum in advance of this hearing, and that meeting with your two key assistants was not ingenuous or staged or otherwise. I had no recollection whatsoever of Jack Neal having mentioned a figure to me of anything, that is one.

Two, my recollection of any conversation at this particular point in ITT's career, (and I say at this particular point I have known ITT, as you can imagine, for years and they, like every other business who has a problem, come to tell us about it,) my sincere and honest recollection is that Jack called and said "Mr. Geneen just wants you to know if there is anything he can do, he would be delighted to help."

Senator CHURCH. All right. Either at that time, the time of this call, or any other time pertinent to this period, do you remember Mr. Neal or any other high official of the ITT ever saying to you they had a million dollars to give for housing or technical assistance to agriculture or some other benevolent purpose?

Mr. MEYER. Genuinely, Senator Church, I remember neither a figure nor a purpose nor anything concrete having been mentioned; and I am sure I would.

Senator CHURCH. I am certain you would have, too. It is not the kind of thing one would easily forget, if it had happened.

Mr. Meyer, to your knowledge, was such an offer or such a purpose conveyed to some other person in the State Department?

Mr. MEYER. To my knowledge, no, sir.

Senator CHURCH. And it never was—and you would have, by virtue of your position, come to know about it had an offer of that kind been made, would you not?

Mr. MEYER. Unless somebody said, "Oh, for heavens sake," and forgot it, I would.

#### CREDIBILITY OF ITT MEMORANDA

Senator PERCY. Mr. Meyer, have you ever been called "Chuck?"

Mr. MEYER. I reserved it for you, Senator Percy. [Laughter.]

Senator PERCY. I have known you for several decades, and I have never heard anyone call you "Chuck."

Mr. MEYER. That started—

Senator PERCY. And this is why, as I look through this memorandum and many other such memorandums, and when Ambassador Korry has stated under oath that there was absolutely no foundation in fact for certain statements made in other memorandums, my theory is that we have to be very careful as a committee in giving credence to such interoffice memorandums.

Mr. MEYER. I agree with that.

Senator PERCY. I should say, Mr. Chairman, in the spirit of always disclosing our relationships with our witnesses, I have known Secretary Meyer for many, many years, and consider him a fine friend, and I have tried in these hearings whenever it involves friends to be certain that they know that I must fulfill my constitutional responsibility in getting to the truth of this matter.

Mr. MEYER. I am fully aware of that.

Senator PERCY. But I think we have prima facie evidence that we have to be very leary of interoffice memorandums. Those people were earning a living, and many are dedicated, but they all seem to have a preoccupation with impressing the home office as to how many weddings they go to, how many personal and social events they attend, how hard they are working and how close they are to the inner government.

I am called "Chuck" by people I have never seen before, and I just look on it as a part of their business, I suppose. But I think this is an instance where something went back to the home office that may have had no foundation in fact.

Did you ever know this individual well enough to have him call you "Charlie," or why would you think he would say that "Chuck said he could understand Mr. Geneen's concern" other than to just impress the home office? I think we have to be careful of how we interpret these memorandums.

#### SWORN TESTIMONY SUPPORTS DOCUMENTS

Senator CHURCH. Of course we do. But I would like to point out that we are not basing our conclusions merely on the memorandum. We are basing this upon Mr. Gerrity's sworn testimony and Mr. Neal's sworn testimony, taken last week.



Mr. Gerrity said that what the ITT intended this money to be used for were these constructive purposes. He said that under oath. He also said that the matter was communicated to you and he said that Mr. Neal was the man who communicated it to you. That is all sworn testimony. Neal himself said that he did make such contact with you but that he did not state the purpose of the money.

That is how the record stands and it is all sworn testimony. So we have Mr. Gerrity saying there was \$1 million offered to the Government for certain beneficent uses in Chile and it was offered to the State Department and was offered to you and Neal was the man who offered it.

Mr. Neal says, "Yes, I made an offer but I didn't say what it was for," and you say, "I neither remember the offer nor the purpose." That is where the sworn testimony stands, and we are not basing this on just puffery in a memorandum.

#### NO RECOLLECTION OF MILLION DOLLAR OFFER

Mr. MEYER. Senator Church, let me simply say as you said and I think accurately that \$1 million for low-cost housing is not something that would just roll off my back. Jack Neal says he did not identify the end use when he mentioned it to me and certainly \$1 million unspecified wouldn't have rolled off my back. I remember no sum of money or purpose.

Senator CHURCH. All right.

Any further questions?

Senator PERCY.

Senator PERCY. Yes, just a few.

#### RECONSIDERING U.S. POLICY

I read a memorandum to you relating to Dr. Kissinger's statement in Chicago. Did you share Dr. Kissinger's view that an Allende takeover would present massive problems for us in Latin America.

Mr. MEYER. I shared, Senator Percy, the point of view that the Unidad Popular, and I say that with some distinction between the composite of the Socialist and Communist Party and Dr. Allende himself, would create problems but not massive.

Senator PERCY. Dr. Kissinger states that "We are taking a close look at the situation." As a result of that close look what decision, if any, was made in connection with U.S. policy with respect to the Chilean political situation? It is a repetition, but I would like it on the record again. Apparently the close look that he refers to resulted in no change in policy.

Mr. MEYER. That is exactly correct.

Senator PERCY. Is that right?

Mr. MEYER. That is exactly correct.

Senator PERCY. In the matter of policy, was the executive branch fairly unified in its attitude toward the Chilean elections of 1970? Was there a consensus, an agreement that was then reached and adhered to? I presume there are always differences of opinion.

Mr. MEYER. I was going to say that, sir. In 4 years I tend to say I never absolutely found a solid 100-percent approach in the executive department to any single matter. No, I think there was quite sincerely

a variety of opinions in terms of the President-elect and the political forces that put him in power and they ran the entire gamut.

#### GUIDELINES FOR CORPORATE CONDUCT

Senator PERCY. As a former corporation executive and then for 4 years having the responsibility for Latin America during your tenure in the State Department can you tell us whether the Department ever gave serious consideration to drawing up guidelines for the conduct of American multinational corporations abroad?

Mr. MEYER. Not seriously, Senator Percy, and I have battled personally with this idea or concept both as a private citizen and as a member of the Government of the United States. I find that the problems inherent, which is well known to you personally and to this committee now or certainly will become increasingly clear, is that guidelines for the variety of the U.S. private sector are very difficult to arrive at.

Senator PERCY. Are you familiar with the four principles enunciated by a representative of a New York bank here yesterday?

Mr. MEYER. No, I saw a reference to it but I don't know what the four principles were.

Senator PERCY. Your advice to American corporations would be not to interfere in domestic politics in a country in which they are operating.

Mr. MEYER. Categorically. That is what we always believed in.

#### THE "GREEN LIGHT CABLE" TO AMBASSADOR KORRY

Senator PERCY. Finally, we discussed at great length with Ambassador Korry a so-called "green light cable" that an ITT memorandum said was sent to him in which it was stated that finally Ambassador Korry received a cable to go all out in an effort to stop Allende, short of a Dominican Republic-type action. Was such a cable sent Ambassador Korry changing the direction of American foreign policy in Chile?

Mr. MEYER. I again would like to avoid specific reference to intramural, intergovernment dispatches or the messages.

Let me simply say, Senator Percy, and with pride, and I once want to hammer on this, that the policy of the U.S. Government, despite all of the electricity in the air at any given point, remained noninterventionist. We neither financed candidates nor financed parties nor financed Alessandri gambits.

Senator PERCY. Nor tried to precipitate economic chaos.

Mr. MEYER. Nor tried to precipitate economic chaos, and promoted neither civil nor military nor any other coup. The policy of Chile's future was Chile's.

Senator PERCY. Ambassador Korry says, without specifying whether he received the cable or not, the meaning of the ITT message that went back to New York could not have been correct. Your certification that there was no change in policy again affirms the fact that there could not have been such a drastic change in American foreign policy in Chile; is that correct?

Mr. MEYER. That is correct, and once again I would like to add without disparaging the reporting technique of ITT, I am not disposed to lend total credence to descriptive reporting.

## FOUR PRINCIPLES OF CORPORATE BEHAVIOR

Senator PERCY. Mr. Chairman, with your permission, I ask unanimous consent that the so-called four principles be submitted to Secretary Meyer and that he respond in the record at this point as to whether he feels these guidelines are good guidelines and if he, as an individual with vast experience in both corporate life as well as the State Department, would care to submit his own proposals for guidelines. It could be useful and helpful to companies doing business abroad, and I think we would all benefit from that. I ask unanimous consent that this be incorporated in the record at this point.

Senator CHURCH. Yes; we can get those four principles, just simply read them to you so well we won't have to do them afterward. They are available.

Senator Percy, would you like to read them to the witness?

Senator PERCY. Yes; as follows: No. 1. We must never lose sight of the fact we are guests in foreign countries. We must conduct ourselves accordingly. We recognize the right of governments to pass local legislation and our obligation to conform. Would you want to comment on each of them?

Mr. MEYER. One by one?

Senator PERCY. Yes; your concurrence with the guideline.

Mr. MEYER. Total concurrence.

Senator PERCY. No. 2. Under these circumstances, we also recognize that we can survive only if we are successful in demonstrating to the local authorities that our presence is beneficial.

Mr. MEYER. Total concurrence but not as easy as it reads.

Senator PERCY. Pardon?

Mr. MEYER. It is not as easy to do as it reads.

Senator PERCY. No. 3. We believe that every country must find its own way politically and economically. Sometimes we feel that local policies are wise, sometimes we do not. However, irrespective of our own views we try to function as best we can under prevailing conditions.

Mr. MEYER. Total agreement.

Senator PERCY. No. 4. We have always felt free to discuss with local governments matters directly affecting our interests but we recognize that they have final regulatory authority.

Mr. MEYER. Total agreement.

Senator PERCY. Finally, Secretary Meyer, during your tenure at Sears, Roebuck, the largest merchandising company in the world, were these four principles consistent with policies of that company?

Mr. MEYER. Yes, Senator Percy.

Senator PERCY. Thank you, Mr. Chairman.

Senator CHURCH. Thank you very much, Senator Percy.

## POSSIBLE PERJURY BY WITNESSES

Mr. Meyer, I want to say to you, you know my personal regard for you, your integrity, and your truthfulness. I don't want you to take personal offense at what I am about to say. But it is obvious, based upon the sworn testimony that we have received to date, that somebody is lying. We must take a very serious view of perjury under oath.

As chairman of this committee, I intend that the testimonial record be thoroughly reviewed. If it appears from the record that appropri-

ate action for perjury should be undertaken against any of the witnesses who have appeared before us, I will recommend to the committee that the papers and the testimony be turned over to the Justice Department for that purpose. This is a serious inquiry and we expect to get honest answers. Those who don't give them should bear the consequences.

The hearing is adjourned until 2:30 this afternoon.

[Whereupon, at 12:45 p.m., the committee was recessed until 2:30 p.m. the same day.]

#### AFTERNOON SESSION

Senator CHURCH. The hearing will please come to order.

Our first witness this afternoon is Mr. Peter G. Peterson, who is now an ambassador trained in economic matters, and was formerly Executive Director of the Council for International Economic Policy, and Secretary of Commerce.

Mr. Peterson, would you please stand and be sworn.

Do you swear that all the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PETERSON. I do.

Senator CHURCH. Please be seated.

Mr. Peterson, I understand that you would like to summarize, in your own words, what you know about this case. I will invite you to give us a statement at this time, and then afterwards there may be questions.

#### TESTIMONY OF THE HONORABLE PETER G. PETERSON, AMBASSADOR AT LARGE

Mr. PETERSON. Thank you, Mr. Chairman.

I am pleased to be testifying today in my previous role as Executive Director of the Council on International Economic Policy.

I would like to put my interest in this whole field of expropriation in a much broader context than any particular country or any particular company, and to do that I would like to remind you that in April of 1971, my staff and I prepared an analysis that we called "The United States in the Changing World Economy." This was presented to the President, to the Council, and to a substantial number of Senators and Congressmen at that time.

#### GROWTH OF LDC'S AND INVESTMENT SECURITY LINKED

One of the interesting findings of that study to me was the relationship, or at least the apparent relationship to me, between the growth and development of the less-developed countries and the whole issue of investment security. For example, in 1960, 35 percent of America's direct private investment was in less-developed countries. That had fallen to 28 percent in 1970. This trend was particularly aggravated in Latin America where we found that in 1960, 26 percent of America's private investment was held, but by 1970 it had fallen to 14.

I found it a bit ironic and even sad that the countries which needed that investment the most were getting a smaller and smaller share of America's private investment.

In our various explorations, it became clear that investment security was a principal issue not only to many businessmen, but quite frankly, to many Senators and Congressman who, you may recall, wanted to attach mandatory or so-called automatic requirements that specified that all economic benefits would be automatically withheld in the event of inadequate or unfair compensation, should an expropriation take place.

#### NATIONAL SECURITY COUNCIL STUDY OF EXPROPRIATION

It was in that context that a National Security Council Study was authorized, in the latter part of June of 1971, to look at the whole question of expropriation, its economic aspects, its foreign policy and its legal aspects.

One might ask why would such a study be conducted under the overall aegis of the National Security Council? I think the essential reason was that expropriations and how to handle them had important foreign policy implications and expropriations were, in an interesting way, both a symptom and a cause of future foreign policy implications.

Now, the Council on International Economic Policy was assigned the task of forming a special task group that was to focus on various economic options.

I, in turn, was invited to attend the Senior Review Group of the National Security Council, chaired by Dr. Kissinger, where these various policy options were reviewed.

I would want to say at the beginning that in no NSL or Council on International Economic Policy papers nor in any discussion that I can recall were either CIA action programs or any of the ITT proposals or programs for action reviewed or discussed.

Now frankly, there were a variety of views within our Government about what should be done about the broad issues. Some felt that we should continue a case-by-case approach. They felt that all the factors should be reviewed in a given expropriation case before any action was taken. Some felt this was inappropriate, that this was simply a continuation of past policies, that it was an obsolete policy that had not been successful and that we should adopt a firmer, unambiguous policy. Some, as I recall, thought that we might go so far as to have an automatic cutoff of any economic benefits in the event of unfair expropriation.

To this, however, others argued that such a policy could indeed be counterproductive because it could—due to natural nationalistic tendencies of many less developed countries—stimulate officials in such countries to actually consider further expropriations. In any event, this process led to a Presidential policy decision on January 19, 1972, which I will be happy to insert in the record.

The so-called presumptive policy on new economic benefits, both bilateral and multilateral, in which it would be presumed in the future that no new economic benefits would be offered—in the absence of reasonable steps to provide adequate compensation or major factors effecting overall U.S. interests which required the continuance of all or part of these benefits.

It was in this policy context then that the Council on International Economic Policy and the National Security Council had interagency

task forces involved during the period from late June 1971 until January of 1972.

#### NO DISCUSSION OF CIA ACTION PROGRAMS

At no time do I recall any memos or discussion dealing with CIA action programs. Quite frankly there was no need for me to know, and all I have learned about these action programs I have learned in recent days and weeks in the newspapers.

#### EHRLICHMAN FORWARDS ITT CONCERN

Now, during the period of this study on September 10, 1971, I was contacted by Mr. John Ehrlichman's office. He had just received a letter from Mr. Merriam stressing the seriousness of ITT's problem of expropriations in Chile. The letter indicated Mr. Geneen believed this to be of such a critical nature that he would like—Mr. Geneen, that is, was said to have liked—to meet with Secretary Rogers, Kissinger, anyone else that Mr. Ehrlichman might suggest.

Mr. Ehrlichman's office, quite understandably, I think, sent me word of this interest, and on September 14, 1971, Gen. Alexander Haig, Mr. Geneen, and I had a brief lunch at the White House.

#### LUNCH WITH GENEEN, HAIG

Now, as I recall, during most of the luncheon, Mr. Geneen took us through a detailed description of his company's expropriation problems in Chile. As I recall it—

Senator CHURCH. Mr. Peterson—off the record.

[Off the record.]

Senator CHURCH. Please resume.

Mr. PETERSON. During most of this luncheon, as I recall it, and I did not take notes of it, Mr. Geneen took us through a description of his company's expropriation problems in Chile. As I recall, he focused essentially on the problems with the telephone company. I can recall discussions of bank funds, of seizing of records, and of threats to ITT officials.

My recollection of the luncheon is that it was a very thorough discussion of the problem but I do not recall his suggesting any action steps. It was, as I say, a quick lunch because General Haig was particularly busy at that time.

To check this recollection out I have recently contacted General Haig. He also recalls that no specific proposals were made but it was simply a definition of the problems.

General Haig restricted himself to the most general statements of policy. He indicated that while we had a good deal of concern about unfair expropriation, he also had to make clear that it was a delicate matter—the question of intervention in what were internal matters.

A few days later, Mr. Geneen sent me a letter on the so-called direct investment controls, a totally different subject, in which he expressed appreciation for our hearing their problems, as he put it, in Chile, and said that he realized the difficulty of the problem. But I saw no mention there either of any action proposals or what specifically he thought we should do about it.

## THE 18-POINT ACTION PLAN

Then, about the 1st of July last year Mr. Tad Szulc, of the New York Times, called asking if I recalled a letter from Mr. Merriam and the 18-point action plan on the Chile expropriation problem. I told him I had a rather vague recollection of a letter, not of any action plan, and could he indeed send me the action plan and the letter which he did.

I did indeed recall such a letter but I also did not recall having seen the action plan. Frankly, as I read the action plan I was confused both about the origins and the corporate meaning of that action plan. I understand you have a copy of it. You will notice in that action plan there is a word crossed out, it says, it is changed from "he" to "we" might consider something. The letter that Mr. Merriam sent does not refer to the action plan. In fact, the last four paragraphs of the letter are precisely the same as the last four proposals in the so-called action plan all in the economic area, those dealing with military and the press, and some of the more, shall I say "adventuresome", noneconomic proposals were not covered in Mr. Merriam's either. Also, the so-called action plan uses such words as "we believe it might be suggested" or "we might propose the White House might establish a special task force." In any event, I think there is a fair question, a real question, that should be asked—and I am sure you will look into it—as to whether this was a statement indeed of top ITT corporate policy intended to be submitted as such, or whether it was an internal staff document.

## NO ACTION TAKEN

The more important question, however, is the threshold one as to whether anything was done about it. It is certainly clear to me that I didn't take any actions that I can recall of any kind simply because many of these proposals were far beyond my area or my domain.

However, as you will recall, the post-August 15th era was an extraordinarily busy one. We were not looking for new opportunities to spend our time or work. In case I had forgotten about it and had sent it on to General Haig, I have in recent days checked with General Haig. I have shown him this plan, and he, too, has no recollection of having seen it. Therefore, I think it is fair to say, as far as anything I know about this matter, this action plan, if indeed we did receive it, did not effect top policy of the U.S. administration.

Finally, if one reads what actually came out of this policy work on January 19, 1972, there certainly is no relationship that I can see between the recommendations of ITT and the administration's decision.

I believe that pretty well covers any involvement that I had with ITT and the Chile matter.

## THE FIRST MEETING WITH MR. GENEEN

Mr. BLUM. Mr. Peterson, if I may, first, I would like to review an earlier meeting that you had with Mr. Geneen in April of 1971. That meeting was referred to by Mr. Geneen in the Judiciary Committee hearings of the Kleindienst nomination, and he said, or at least submitted to the Judiciary Committee, that one of the topics discussed

was expropriation policy. Do you recall that meeting, that April 1971 meeting?

Mr. PETERSON. Yes, I had a meeting with Mr. Geneen that actually, as I recall it, shortly after the study I had done on the changing position of the United States. The discussion that I recall with him dealt very largely with our mounting balance-of-payments problems, our mounting trade problems, our international economic position, and what we might do about them both abroad and at home.

I do recall an extensive discussion with him about his ideas. Frankly, having done the study, it was about that period that I was talking to economists, businessmen, all sorts of people to try to get thoughts on what we might do about the problems that seemed to be coming.

Toward the end of that discussion, as I recall it, though it was certainly not a central part of the discussion, there was some mention of antitrust in a general way. It is possible that in that context he said something about expropriation. Remember, this is nearly 2 years ago but my recollection is that if it were mentioned, and I don't recall that it was, it would have been a very minor part of the discussion since the meeting dealt very much with these much broader problems than simply the expropriation issue.

#### INTERVENTION IN ITT ANTITRUST CASE

Mr. BLUM. Was there any suggestion at the meeting that you might somehow intervene in the antitrust matter because of ITT's importance as a contributor to the balance of payments?

#### EFFECT OF MNC'S ON BALANCE OF PAYMENTS

Mr. PETERSON. Well, as you know, this session deals with my Council role on the whole subject of expropriation. I can recall, I believe, some discussion that had to do with the fact that large multinational companies had a positive effect on America's balance of payments. The argument was that the effect took place in two very different ways. First of all, some of these larger companies when acquiring other companies might, as it were, stimulate their international activities. As perhaps you might know, there have been a variety of studies done which suggest that exports of these companies have grown considerably faster than companies without large international holdings. Second, there was discussion of the effect of multinational companies on balance of payments in addition to balance of trade was very favorable due to the investment income, but I do not really recall at this time that this expropriation issue, if mentioned at all, was anything at all other than a tertiary issue, and it was not until, if my recollection does not fail me, the following September that that issue was really discussed--and virtually all of that luncheon was directed at the Chile expropriation problem.

Mr. BLUM. With respect to the April 1971 meeting, do you recall whether Mr. Merriam was present?

Mr. PETERSON. I do not. I did not take notes on it.

#### THE SECOND MEETING WITH MR. GENEEN

Mr. BLUM. Now, returning to the second meeting, that meeting was because of a letter that had been sent by Mr. Merriam to Mr. Ehrlichman.

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Mr. PETERSON. Yes, and a note from his office suggesting that I took into this area since apparently his office knew that our council was doing this very broad economic study of expropriation. I don't know what else was done with that letter but—with that contact I was notified that there was interest.

Mr. BLUM. And you and General Haig and Mr. Geneen had lunch.

Do you know—and I would like to go over this simply for the record—was any action taken on the basis of that meeting with Mr. Geneen, to your knowledge?

Mr. PETERSON. To my knowledge, sir, there could not have been any action taken as a result of any action plan or anything of that sort because I didn't recall their making particular suggestions. We did get a very thorough briefing on the seriousness of the problem, both in financial terms and in human terms, in terms of what was happening to officials and so forth. But, to my knowledge, it did not have any direct effect that I am aware of on American policy.

Mr. BLUM. I have no further questions. We will stand adjourned until—

Mr. LEVINSON. I don't know if we have any authority to adjourn. [Short recess.]

Senator CHURCH. The subcommittee will return to executive session to hear Mr. Vaky, at the end of which the committee will decide whether or not to call Mr. Vaky to testify publicly.

It is not possible for me to determine at this time just how long the executive session will last, but I expect it will last for 20 or 30 minutes, then there will be a further announcement.

[Whereupon, the subcommittee at 3:50 p.m. proceeded in executive session.]

[The subcommittee then reconvened in open session.]

Senator CHURCH. The hearing will please come to order.

Our next witness is Mr. Vaky, Ambassador Vaky. He is now the Ambassador of the United States to Costa Rica. He has been returned for the purpose of testifying at this hearing.

Mr. Vaky, would you please stand and take the oath. Do you swear that all the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. VAKY. I do.

Senator CHURCH. I will ask Mr. Levinson to commence the questioning.

### **TESTIMONY OF VIRON PETER VAKY, AMBASSADOR OF THE UNITED STATES TO COSTA RICA**

Mr. LEVINSON. Mr. Vaky, will you please state for the record your full name and address?

Mr. VAKY. Viron Peter Vaky, Department of State is my address. I am presently the American Ambassador to Costa Rica.

Mr. LEVINSON. Mr. Vaky, on September 14, 1970, were you an assistant to Dr. Kissinger on the National Security Staff for Latin America?

Mr. VAKY. Yes.

Mr. LEVINSON. Now, on that day, did you receive a telephone call from Jack Neal of the International Telephone and Telegraph Co.?

Mr. VAKY. The phone call was September 11.

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Mr. LEVINSON. September 11, I am sorry. Did you receive a telephone call on that day?

Mr. VAKY. Yes.

Mr. LEVINSON. You have had a chance to review Mr. Neal's memorandum of September 14, 1970, which purports to give the substance of that telephone conversation?

Mr. VAKY. Yes; I reviewed it.

#### NEAL OFFER OF SUM UP TO SEVEN FIGURES

Mr. LEVINSON. I should like to refer you to the bottom paragraph in which Mr. Neal states:

I told Mr. Vaky to tell Mr. Kissinger Mr. Geneen is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures:

Did Mr. Neal tell you that ITT was prepared to assist financially in sums up to seven figures?

Mr. VAKY. Let me say by preface that I did not make any notes or memorandum of the conversation so I depend only on my memory of a conversation 2½ years ago. To the best of my recollection that what was stated there in the last paragraph is correct. I do not recall his specifically saying Mr. Geneen was willing to come to Washington. As to the funds, I am not sure I can remember the precise terms but, as nearly as I can recall it, he said that ITT was prepared to spend sums up to seven figures.

Senator CHURCH. He said ITT was prepared to spend sums up to seven figures?

Mr. VAKY. As I recall, approximately that.

#### PURPOSE OF MONEY

Senator CHURCH. Do you recall for what purpose ITT was prepared to spend funds up to seven figures?

Mr. VAKY. Mr. Chairman, I have no personal recollection of any elaboration of that statement, any elaboration or explanation of that purpose.

Senator CHURCH. You mean at no time during the conversation do you have any recollection that Mr. Neal specified for what purpose ITT intended to spend the sum up to seven figures?

Mr. VAKY. I just do not remember our going into that.

Senator CHURCH. Do you recall at any time during that conversation that he said anything to the effect that the money was intended for some constructive beneficent purpose, like building houses or giving technical assistance to Chilean farmers?

Mr. VAKY. I have no memory of those things.

Senator CHURCH. Or anything of that kind?

Mr. VAKY. Sir?

Senator CHURCH. Of anything of that kind?

Mr. VAKY. I have no memory of elaboration of this other than saying the money was available. I just do not remember in that detail.

Senator CASE. There is no question that the conversation related to Chile?

Mr. VAKY. Oh, that's right; yes, sir.

Senator CASE. The new government.

Mr. VAKY. Or to what, sir?

Senator CASE. The new government.

Mr. VAKY. Well, at that time—

Senator CASE. At that time it had not been elected, of course.

Mr. VAKY. That's right. The election had taken place September 4.

Senator CASE. The popular election.

Mr. VAKY. The runoff did not occur—

Senator CASE. It was in connection—

Mr. VAKY. About that situation.

Senator CASE. It was a concern about what might happen if Allende was selected.

Mr. VAKY. That is correct.

Senator CHURCH. You have no doubt when the offer of a sum up to seven figures was made it was made in the context of doing something to prevent Mr. Allende from becoming President, if that were possible?

Mr. VAKY. That was my impression of what he was implying.

Senator CHURCH. Yes.

Senator PERCY. Is it likely, Mr. Ambassador, that if the subject of housing and technical assistance to farmers had come up, it might have been so much out of the context of what you thought the conversation was about that you would have been likely to remember that kind of a proposal?

Mr. VAKY. I suppose so, Senator. All I can truthfully say is I don't remember it.

Mr. LEVINSON. Mr. Vaky—

#### ITT EFFORTS TO INVOLVE OTHER COMPANIES

Senator CHURCH. In this conversation, do you remember Mr. Neal having said anything to the effect that ITT had been trying unsuccessfully to get other American companies aroused over the fate of their investments and to join ITT in preelection efforts?

Mr. VAKY. Again my memory of these points, as with the whole conversation, was that they were in somewhat vaguer terms than the impression you gain from reading this. He did talk, as I recall, about talking to other companies about the situation. I do not remember anything specific, his specifically saying preelection efforts.

Senator CHURCH. But you do recall that he made mention of—

Mr. VAKY. Talking to other companies—

Senator CHURCH. Talking to other companies about the problem.

Did you have any subsequent conversations with Mr. Neal or any other ITT officials?

Mr. VAKY. To the best of my recollection, I had no other conversations with Mr. Neal or any other ITT officer.

#### OTHER ITT CONTACTS WITH U.S. GOVERNMENT

Senator CHURCH. There is nothing else that you can tell us that would enlighten this committee about the contacts that ITT had during this period with Dr. Kissinger or any other high official of the administration?

Mr. VAKY. I had no knowledge of other contacts with others.

Senator CHURCH. Were you informed of Mr. McCone's contacts with Mr. Helms?

Mr. VAKY. No, sir, I was not informed.

Senator CHURCH. Were you informed of Mr. McCone's conversations with Dr. Kissinger?

Mr. VAKY. I did not know that Mr. McCone had a conversation with Dr. Kissinger and I was not privy to that conversation.

Senator CHURCH. Were you told by anyone that ITT had offered a fund through Mr. McCone?

Mr. VAKY. No, sir, I have no recollection of that.

Senator CHURCH. Senator Case.

Senator CASE. Thank you, Mr. Chairman.

#### NO REPORT OF OFFER TO DR. KISSINGER

Did you report the offer to Dr. Kissinger?

Mr. VAKY. No, sir.

Senator CASE. You didn't?

Mr. VAKY. I did not.

Senator CASE. Tell me about that. Don't you pass on information?

Mr. VAKY. I did not for two reasons: I did not think the substance was worth further consideration, and I didn't think it worth bringing to his attention. I also had the impression, and I must explain that this call came out of the blue, so to speak, as far as I was concerned. I had known Jack Neal previously, and I had the general impression that this was Jack Neal talking in terms of what I suppose one might call a normal lobbying effort to establish a position, to establish a view of things. It was my determination that I didn't see anything in here that I thought we ought to pursue, and so I did not pass it on.

Senator CASE. Mr. Neal says in his memorandum to Mr. Merriam that you promised to tell Dr. Kissinger.

Mr. VAKY. I did that. He said, "Will you pass it on," and I said, "Well, yes," and he said, "Will you keep us informed?"

Senator CASE. Not, "Well, no; but we will yes?" [Laughter.]

Mr. VAKY. But I didn't do it.

Senator CASE. You sound like some other people we have known in the White House before. [Laughter.]

Well, yes, means no. I am not trying to embarrass you. I don't think you could easily be embarrassed if this were a normal procedure. [Laughter.]

Did you do this quite often?

Mr. VAKY. No, sir, but as a staff, in a staff capacity, among other things it was my problem to sift and assess.

Senator CASE. This is called protecting Dr. Kissinger.

Mr. VAKY. I suppose.

#### ITT OFFER UNUSUAL

Senator CASE. Wasn't this an unusual kind of offer for a company to state it would like to have a chance to spend \$1 million?

Mr. VAKY. Yes. It was unusual.

Senator CASE. Didn't you even jokingly talk among your colleagues about this? Who else did you not tell or tell?

Mr. VAKY. I didn't tell anyone, as a matter of fact. I don't recall talking about it to anyone. I may have joked but I really don't recall doing it, Senator, and I do repeat that I did not think it was, the substance, was something that we ought to be doing and I didn't pursue the matter. I didn't, so I left it there.

## NEAL CALLED VAKY

Senator CASE. Did someone make the appointment for Mr. Neal with you?

Mr. VAKY. It was a telephone call, Senator.

Senator CASE. Did he make it or someone else called you?

Mr. VAKY. No; he called me.

Senator CASE. He called you?

Mr. VAKY. Yes.

Senator CASE. You had known him——

Mr. VAKY. Yes.

Senator CASE [continuing]. Before. Well, quite well.

Mr. VAKY. Well, no, not well. He was in the Foreign Service and I had known him as a colleague.

Senator CASE. What did he understand when you said, "Well, sure"?

Mr. VAKY. Well, I suppose he assumed I would. [Laughter.]

Senator CASE. OK, I am sorry, Mr. Chairman. Just for the moment I have to sit back and think about it.

Senator CHURCH. How long did you work for Dr. Kissinger?

Mr. VAKY. From mid-April 1969 to the end of October of 1970.

Senator CHURCH. And were your services terminated when Dr. Kissinger discovered you didn't pass on this information? [Laughter.]

Mr. VAKY. No, Senator.

Senator CASE. He got promoted.

Senator CHURCH. All right, Ambassador Vaky, thank you very much for your testimony. It has been most helpful.

Our next witness is Mr. Felix Rohatyn, a director of the ITT.

Mr. Rohatyn, will you please raise your hand and take the oath. Do you promise all the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ROHATYN. I do.

Senator CHURCH. Please be seated, and Mr. Blum will commence.

Senator PERCY. In accordance with the practice that I have followed in the past, when witnesses have been before us that I personally know, I would like to indicate that Felix Rohatyn, a partner of Lazard Freres, was very active with me in business. Lazard Freres were bankers for Bell & Howell Co. I am sure that Mr. Rohatyn knows that my friendship with him and business acquaintanceship with him and relationship with him would not in any way interfere with my constitutional responsibilities in helping to conduct this investigation. But I welcome him to this forum.

Mr. ROHATYN. Thank you, Senator.

Mr. BLUM. Mr. Rohatyn, I would like to begin by asking you whether you had any discussions or can recall any discussions of ITT's problems in Chile at a board of directors meeting in the spring of 1970?

### TESTIMONY OF FELIX GEORGE ROHATYN, MEMBER, BOARD OF DIRECTORS, ITT

Mr. ROHATYN. Mr. Blum, there was discussion of Chilean problems at practically every board meeting that I can think of going back 2 or 3 years.

Mr. BLUM. Excuse me, I have to back up a minute. I neglected to ask you to state your full name and address for the record.

Mr. ROHATYN. My name is Felix George Rohatyn, I am a general partner of Lazard Freres, and my address is 1 Rockefeller Plaza, N.Y.

#### ITT BOARD DISCUSSES CHILE SITUATION

Mr. BLUM. So your testimony is that there was discussion of the Chilean situation at practically every board meeting in the spring.

Was there a discussion specifically of the Chilean political situation?

Mr. ROHATYN. Yes; I recall several discussions, reports by the management with respect to the developing political situation in Chile.

Mr. BLUM. At that time in the spring of 1970 was there any discussion among board members of contingency plans with respect to the situation in Chile?

Mr. ROHATYN. Not among board members that I can recall, outside of directors' meetings. There was, as I said, there were reports by the management.

Mr. BLUM. But they were simply reports.

Mr. ROHATYN. Yes; but those reports obviously involved the possibility of the company having its assets in Chile taken over or nationalized and the extent of insurance coverage that this involved, et cetera.

#### NO BOARD KNOWLEDGE OF MILLION-DOLLAR OFFER

Mr. BLUM. Did the board of directors at any time discuss making an offer of a substantial sum to support one or another candidate in the Chilean election?

Mr. ROHATYN. No.

Mr. BLUM. Was the board informed of Mr. Geneen's meeting with Mr. Broe in July of 1970?

Mr. ROHATYN. No.

Mr. BLUM. Are you familiar with Mr. Broe's version of what happened at that meeting, that Mr. Geneen did offer a substantial sum to support the candidacy of one—

Mr. ROHATYN. I am familiar with what I read in the New York Times this morning.

Mr. BLUM. But you did not become familiar with the contents of that meeting as a director of ITT?

Mr. ROHATYN. No.

Mr. BLUM. In the firm of ITT.

Do you feel as a director you should have been informed?

Mr. ROHATYN. I think that is a very difficult question, Mr. Blum.

Senator CHURCH. What makes it difficult?

Mr. ROHATYN. Well, Senator, what makes it difficult was the fact that the offer was not accepted. I believe that a management committing a company, prior to committing the company has to go to its directors.

Senator CHURCH. But the offer, if Mr. Broe's testimony is accurate, the offer was not made upon condition that the board of directors would subsequently approve it or ratify it. It was made outright. ITT was prepared to offer a substantial fund if the CIA would be a conduit, and the purpose of the fund was to help finance the election of Mr. Alessandri as President of Chile. I think that is a very significant

offer of a large amount of money that would plunge the company deeply into the internal politics of a foreign country. You say it is a difficult question when you are asked whether such an offer ought not to be communicated to the directors of the company. What makes it difficult?

Mr. ROHATYN. Well, Senator, I said the question that I was raising was indeed whether Mr. Geneen did make an unconditional offer. If he did make an unconditional offer then it should be passed by the board before the offer was made. If Mr. Geneen was engaging in an exploratory discussion subject to coming back to the directors with a proposal, did he have one, then that would be another thing.

Senator CHURCH. So if Mr. Broe's testimony is accurate, in your judgment, it would have been the kind of offer that ought to have been first communicated to the board of directors before being made to an agent of the CIA?

Mr. ROHATYN. If it were an unconditional offer, yes, sir.

Senator CHURCH. Yes, thank you.

Mr. BLUM. I would like to continue, if I may.

Were you informed of Mr. Broe's refusal? Obviously not.

Mr. ROHATYN. No.

#### BOARD KNOWLEDGE OF PRESSURE ON U.S. GOVERNMENT

Mr. BLUM. Were you informed at the September board meeting that it was the company's intention to move strongly in Washington to get the American Government to take action with respect to political development in Chile?

Mr. ROHATYN. I believe, Mr. Blum, that after the company's assets were taken over there was a discussion at a board meeting involving representations that the company would be making with the State Department insofar as the invocation of the Hickenlooper amendment was involved.

Mr. BLUM. That you say was after the company's assets were taken over, and that would be when, September 1971?

Mr. ROHATYN. That's right.

Mr. BLUM. Or October 1971.

Mr. ROHATYN. That is about right; yes, sir.

Mr. BLUM. There was no discussion in September of 1970, then, to your recollection?

Mr. ROHATYN. None, to my recollection.

Mr. BLUM. Were you informed that another member of the board, Mr. McCone, was to talk to Dr. Kissinger?

Mr. ROHATYN. No.

Mr. BLUM. Were you informed that he was to talk to Mr. Helm?

Mr. ROHATYN. No.

Mr. BLUM. Were you informed of any offer to either of them?

Mr. ROHATYN. No.

Mr. BLUM. Do you think you should have been informed of those conversations as a member of the board?

Mr. ROHATYN. Again if Mr. McCone was in effect making a firm offer on behalf of the company, I would say "yes."

## PROPRIETY OF ITT ACTIVITIES

Mr. LEVINSON. Mr. Rohatyn, if I might interrupt, Mr. Blum, the question really goes beyond whether it is a firm offer or commitment to the board. What about the propriety of a corporation or high corporate officers making these kinds of offers regardless of whether it is conditional or unconditional? Did the board, after the publication of the Anderson Papers or at any time subsequent to the surfacing of this whole question, discuss the question of the propriety of the activities or the conversations that were held by various ITT high officials with CIA officials? That is one question.

And the second question is, has the board ever discussed the question of a policy with respect to the company and the CIA? To what extent and on what grounds should it collaborate, should it cooperate, and what are the limits of noncooperation? Has any of this ever come up at the board of ITT?

Mr. ROHATYN. Mr. Levinson, after the publication of the Anderson Papers, and I can't be completely precise with respect to whether it was the first board meeting or the second board meeting, Mr. Geneen disclaimed that the company had been involved in illegal activities in Chile, that the company had been involved in an attempt to overthrow the Government. Whether in the same context, in the same conversation or at another time, Mr. Geneen characterized the offer of money that has been reported as an attempt by the company to join some kinds of an administration-sponsored program which had been turned down.

Mr. Geneen, as far as I know, has always taken the position that the company did not participate in the plot in Chile, and he has—

Senator CHURCH. We will, of course, have the opportunity to question Mr. Geneen personally on the role that he played.

I think the question that Mr. Levinson has put goes beyond the conditions that you have previously mentioned. You said that if Mr. Geneen made an unconditional offer of up to a \$1 million to the CIA or to the government for purposes of intervention in the electoral processes of Chile, this would be improper without first having cleared it with the board.

Mr. ROHATYN. Yes.

Senator CHURCH. Mr. Levinson is asking, as I understand it, if there isn't another consideration here, and that has to do with the propriety of making any kind of offer at all for such a purpose, whether it is conditional or unconditional. I think that that is a very legitimate question.

We have had a great deal of testimony from other executives of other American companies, banks, doing business in Chile during this critical period, and they have all testified in effect that they would regard such an offer, whether conditional or unconditional, as being highly improper and at variance with the standard of behavior that these other companies followed in connection with their businesses in foreign countries.

You are a member of the board of ITT. Do you take a different view?

Mr. ROHATYN. No, Senator. I am sorry if I didn't make myself clear. I didn't say that had Mr. Geneen made such an offer for the



purposes as you stated them and had he come to the directors and asked us to approve it I am not at all sure that I would have. In fact, I think I would probably have objected to it. I am dividing the question into what does a management have the authority to do without asking the board from the question had they come to the board would we have approved it.

#### BOARD INQUIRY FOLLOWING PUBLICATION OF ANDERSON PAPERS

Senator CHURCH. When the Anderson Papers were published, did the board undertake any inquiry in depth concerning what policy the president of the company had in fact pursued? Certainly many questions must have been raised in the minds of board members on the contents of those papers based as they were on internal cables that were within the company.

Mr. ROHATYN. Well, Senator, the board had—and I can only speak as one director, I obviously cannot speak for the entire board, but the board had—an immediate responsibility which was to determine whether the management of the company had done anything to endanger the company's assets or to harm the stockholders.

During the period subsequent to the publication of the Anderson Papers, one law firm, and then subsequently another one, as reported to us by the general counsel of the company, reviewed all of the Anderson Papers, reviewed the documents presumably that went into them, in order to determine and in order to give an opinion to the company and to the directors as to whether the company had engaged in proper activities in Chile.

Senator CHURCH. Wasn't the purpose of that review and the opinion you received related to a different question, namely, the effect of these revelations upon the liability of the OPIC to pay to ITT approximately \$92.5 million under its insurance policy.

Mr. ROHATYN. Well, it served two purposes but, as far as I, as a director am concerned, the main purpose, the purpose was twofold, that if the actions of the officers of the company had endangered the company's ability to claim insurance that would have been an ipso facto determination of wrongdoing by the officers of the company.

Senator CHURCH. Well, I think the question of liability might turn on a different issue than wrongdoing. In fact, I think the question of liability turns on quite a different issue. But do you want to leave the record in such form as to support that ITT's management has the authority to dabble in the politics of foreign countries without prior approval of the board?

Mr. LEVINSON. So long as it doesn't endanger the assets.

#### BOARD REASSURED OF PROPRIETY

Mr. ROHATYN. No, I certainly wouldn't—I couldn't leave the impression that the board or at least I, as a director, am insensitive to the propriety of a management interfering in the internal political activities of a foreign country.

However, as I said before, the management of the company assured me and assured the other directors, that they had not done so.

Senator CHURCH. You were satisfied by that assurance?

Mr. ROHATYN. I was satisfied by that assurance.

Senator CHURCH. And the board did not then undertake any indepth inquiry?

Mr. ROHATYN. Other than the legal reviews by the two law firms that I mentioned.

#### GENEEN EXPLAINS MILLION-DOLLAR OFFER

Senator PERCY. Mr. Rohatyn, there have been only two directors of the company brought before this committee, Mr. McCone and yourself. Because as an outside director you have been put in this position by alleged actions of company officials, have you had conversations with Mr. Geneen to explore with him the intent of this sum of seven figures that has been much discussed? And can you describe what he explained as the purpose for it, and then tell us whether, in your judgment, you were satisfied that the authority of the chief executive officer was not exceeded in making this kind of an offer, if it was made?

Mr. ROHATYN. Senator Percy, again going back—I am sorry I am not terribly precise on dates because there was a continuum of events, but I do recall a conversation with Mr. Geneen, whether or not in the presence of other directors, I don't know, during which conversation he indicated that the offer that was made involved the company's willingness to participate in any U.S. Government sponsored program involving Chile. He was not any more specific about it than that. He was quite positive in his statement to me that it did not involve expenditures for the purposes of overthrowing a government or of improper political activity in Chile.

Insofar as his views on a possible relationship of the company with the CIA are concerned, again, after the publication of these papers I had a conversation with him where I put the question to him rather directly as to how he felt about a corporation's involvement with the CIA, at which point he indicated to me that he was not in favor of any such relationship and he cited as an example that at one point the CIA had asked for the opportunity to interview company employees on the spot in various places, and that he had refused them access and that subsequently it was suggested that the employees could be—

Senator PERCY. Was that for the purpose of economic intelligence gathering?

Mr. ROHATYN. I gather so, yes, sir. And that when that proposal was changed to flying these same employees to other places for interviews he had again refused, and I therefore came to the conclusion that his policy was one of keeping very much at arms length.

#### FAILURE OF BOARD TO INVESTIGATE THOROUGHLY

Senator CHURCH. You really didn't read these papers very carefully, did you, at the time?

Mr. ROHATYN. I read the newspaper accounts at the time, yes, Senator.

Senator CHURCH. Newspaper accounts.

It strikes me that Mr. Geneen has a very loose rein to run this company. Even after these revelations, the board did not conduct an indepth investigation as to the accuracy of the charges that they con-

tained. You apparently were satisfied with a brief explanation by Mr. Geneen. And I take it that at no time since has the board of directors seen fit to lay down definite guidelines to govern the company from now on concerning its relationship with the CIA or definite guidelines to be observed from now on concerning intervening in the internal politics of foreign countries in which the ITT may be doing business. Is that correct? Has the board taken any formal action of any kind in any of these directions.

Mr. ROHATYN. The board has not taken formal action.

Senator CHURCH. Thank you.

#### BOARD NOT INFORMED OF PURPOSE OF MONEY

Senator PERCY. Mr. Rohatyn, did Mr. Geneen discuss with you at any time the possibility of entering into some sort of cooperative arrangement to help in the field of housing or technical assistance?

Mr. ROHATYN. No, Senator.

Senator PERCY. So there were never any specifics and you already have testified there was no covert operation, as I understand it, and no indication to you, directly or indirectly, that the money would be used in housing or technical assistance?

Mr. ROHATYN. Not to my knowledge.

Senator PERCY. So there never was any knowledge given to you as to how this money would be used?

Mr. ROHATYN. That is correct.

Senator PERCY. But it was clear to you it would have to be used in cooperation with any government plan that was developed?

Mr. ROHATYN. That is correct, Senator.

Senator PERCY. Did Mr. Geneen at any time discuss with you or with any other directors any action the company management was taking through its representatives to influence what American foreign policy should be, to take a stiffer, harder line, and to engage in such activities as might change the course of events in Chile?

Mr. ROHATYN. I have no recollections, Senator Percy, other than to mention that I made of the directors' meetings at which the—Mr. Geneen mentioned that they were trying to encourage the State Department to invoke the Hickenlooper amendment in case the company's assets were nationalized.

Senator CASE. That didn't have anything to do with the million dollars.

Mr. ROHATYN. No, Senator.

Senator CASE. That was purely a matter of doing it by persuasion.

Mr. ROHATYN. That's right.

Senator CASE. Did I understand correctly that you did not get from Mr. Geneen any idea as to what his suggestion of a \$1 million contribution might be for?

Mr. ROHATYN. No; Senator Case, that is right. He, as I previously testified, he mentioned his willingness to commit company funds in a Government-sponsored program that might include private corporations as well as Government economic assistance.

Senator CASE. What kind of programs?

Mr. ROHATYN. I can't tell you, Senator.

Senator CASE. You don't remember when that was, do you? You see, there were two times when—

Mr. ROHATYN. Senator, that would have been after the publications of the Anderson Papers. That wouldn't be during this period of activity at all.

#### TWO ITT OFFERS OF MONEY

Senator CASE. Yes; as I read the documents, there were two times in which Mr. Geneen is reported to have offered a million dollars. Is that not correct?

Senator CHURCH. That is the impression that the record leaves.

Mr. LEVINSON. In the July 16 meeting with Mr. Broe, Mr. Broe mentions a substantial fund but does not specify it. In the second case, Mr. Geneen talks with Mr. McCone at the September 1970 board meeting. Subsequently, Mr. McCone, presumably with Mr. Geneen's authorization, goes to Mr. Helms and Dr. Kissinger, and offers a sum in an amount up to seven figures. Additionally, Mr. Neal complements the McCone offer with a communication which we heard about, to Mr. Vaky.

Senator CASE. And that latter offer in which the amount up to seven figures, a million dollars, was mentioned, did not Mr. McCone himself say it was for the purpose of having some effect upon the congressional action on the Allende election?

Mr. LEVINSON. He was explicit in stating that the purpose of the fund was to assist in promoting a coalition of forces in the Chilean Congress in opposition to Mr. Allende.

Senator CASE. And that the immediate purpose for which money might be spent toward that objective had something to do with good work. That was in substance, I think, what he said.

Senator CHURCH. Yes.

Senator CASE. He was quite specific that the purpose of going into this thing at all was to affect the election favorably for Mr. Alessandri. Was that in general your understanding of the facts?

Mr. ROHATYN. Senator Case—

Senator CASE. I don't mean you knew at the time, I mean was that the gist of the explanation you got from Mr. Geneen?

Mr. ROHATYN. This was 1972?

Senator CASE. Yes.

Mr. ROHATYN. After—

Senator CASE. When you got it, but it related to this?

Mr. ROHATYN. It related to this.

Senator CASE. And was the explanation that I have in a rather free but accurate way ascribed to Mr. McCone, was that the understanding you got from Mr. Geneen when you talked it over with him?

Mr. ROHATYN. That this program to which the company would contribute would somehow help the election of Mr. Alessandri.

Senator CASE. Right. It wasn't to be used for evil things like bribery or—

Mr. ROHATYN. Subversion.

Senator CASE. Assassination.

Mr. ROHATYN. That's right.

Senator CASE. Or anything of this sort? I am not joking.

Mr. ROHATYN. I understand.

Senator CASE. But it was to be spent in some fashion in 6 weeks in a program of good works which would have the result of helping Mr. Alessandri.

Mr. ROHATYN. Well, Mr. Geneen never put the proposal in any precise context of time frame expenditures or exactly to what purpose it was related.

Senator CASE. Did he not make it fairly clear that it was related to the election in the Chilean Congress that was going to take place in about 6 weeks from the time this offer was made?

Mr. ROHATYN. I can't put it that exactly, Senator.

Senator CASE. You didn't get that much.

Mr. ROHATYN. No.

Senator CASE. Thank you very much.

#### REASON FOR OFFERING MONEY TO THE CIA

Senator PERCY. Did it occur to you, Mr. Rohatyn, to question why the offer was made to CIA rather than to the State Department? Any program connected with assisting, aiding, helping another country, being a good neighbor, is identified with the State Department, and that kind of program has not been part of the charter of the CIA, I just wondered whether that question arose and whether it didn't arise in the mind of the directors.

Mr. ROHATYN. Senator Percy, I believe that in the conversation that I am referring to that Mr. Geneen was talking about a proposal that was made to Mr. Kissinger and not to the CIA. I may be wrong but that is, my recollection is, would be more of a White House proposal or State Department proposal, and not CIA involvement.

Mr. LEVINSON. Did he inform you that Mr. McCone had made—

Mr. ROHATYN. I beg your pardon?

Mr. LEVINSON. Did he inform you that Mr. McCone had made an offer to Mr. Helms of the CIA, in addition to Dr. Kissinger?

Mr. ROHATYN. No.

Senator PERCY. So the board was not advised of that particular offer?

Mr. ROHATYN. No, Senator.

Senator PERCY. Even though the offer was made through a member of the board?

Mr. ROHATYN. Not to my knowledge, Senator Percy.

#### GENEEN'S FREEDOM OF ACTION

Senator PERCY. Just for my understanding of how ITT works, the chairman has mentioned a sort of a loose operation, but my impression of Mr. Geneen is that he is not a loose operator, he operates in a very tight—

Senator CHURCH. My statement was that the board had given Mr. Geneen a loose rein and I think the testimony bears that out.

Senator PERCY. I stand to be corrected on that. But there are limits to what a board can delegate in many cases. If an expenditure were to be made an investment to be made out of capital, that would necessarily have to come before the board even if it is a million dollars. But if it is to be an expenditure that would be expensed against earnings, even if it is a million dollars, would it be corporate practice to have that reported to the board or not?

Mr. ROHATYN. Senator Percy, ITT is a company with about \$10 billion in revenues, so that a capital expense or an ordinary expense of

a million dollars in the ordinary course of business would not necessarily come to the board of directors.

Senator PERCY. There would be a policy that is established by the board so that the President and chief executive officer are authorized up to certain limits——

Mr. ROHATYN. That is correct.

Senator PERCY [continuing]. To, on his own discretion, make commitments and expenditures.

Mr. ROHATYN. That is correct. I said in the ordinary——

Senator PERCY. Can you tell us what the cutoff point is?

Mr. ROHATYN. Well, I was going to say something a little different, Senator.

Senator CHURCH. May I say, to understand your testimony, he is authorized to make offers in the ordinary course of business——

Mr. ROHATYN. I was coming to that.

Senator CHURCH [continuing]. Would you regard this kind of an offer to the CIA as part of the ordinary course of business?

Mr. ROHATYN. No, I would not, Senator.

Senator CASE. Regardless of the amount?

Mr. ROHATYN. That is correct, Senator Case.

Senator CASE. Whether it comes from income or capital funds?

Mr. ROHATYN. Wherever it comes from.

Senator PERCY. I have no further questions.

Senator CHURCH. Thank you very much for your testimony.

Mr. ROHATYN. Thank you.

Senator CHURCH. The hearings will adjourn until 10 o'clock, Monday morning.

[Whereupon, at 4:45 p.m., the hearing was adjourned until Monday, April 2, 1973, at 10 a.m.]

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# THE INTERNATIONAL TELEPHONE AND TELEGRAPH CO. AND CHILE, 1970-71

MONDAY, APRIL 2, 1973

UNITED STATES SENATE,  
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church, chairman, presiding.

Present: Senators Church, Fulbright, Symington, Case, and Percy.  
Also present: Mr. Levinson and Mr. Blum of the subcommittee staff.

Senator CHURCH. The hearing will come to order.

Our first witness this morning is Mr. Jack Neal. We are calling him back to the stand. Mr. Neal, will you come forward?

Mr. Neal, will you raise your hand and take the oath?

Do you swear that all the testimony you are about to give in these proceedings will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. NEAL. I do, Senator.

## OFFER OF MONEY TO STATE DEPARTMENT

Senator CHURCH. Mr. Neal, when you were previously before the committee, you testified about conversations you had with Mr. Meyer, the Assistant Secretary of State in the State Department, and Mr. Vaky, assistant to Henry Kissinger.

Mr. Gerrity testified that, following the meeting of ITT's board of directors on the 9th of September, which was after the popular election in Chile had taken place, he spoke to Mr. Merriam about the willingness of ITT to furnish up to \$1 million for beneficent purposes in Chile. I think that mention was also made of building houses or giving technical assistance to agriculture or some other such constructive purpose.

Mr. Gerrity testified that he informed Mr. Merriam that this was the purpose of the money; and that Mr. Merriam, in turn, instructed you to communicate this message to the Government; and that you did this in two conversations that took place on the 11th of September. One of those conversations was with the Assistant Secretary of State, Mr. Meyer.

When Mr. Meyer was before the committee I asked him what Mr. Neal's offer to assist was exactly. Mr. Meyer replied:

(447)

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Senator Church, I have covered some of this informally with Messrs. Levinson and Blum in advance of this hearing and that meeting with your two key assistants was not ingenuous or staged or otherwise. I have no recollection whatsoever of Jack Neal having mentioned a figure to me of anything. That is one.

I then asked Mr. Meyer :

All right. Either at that time, the time of this call, or at any other time pertinent to this period, do you remember Mr. Neal or any other high official of ITT ever saying to you that they had a million dollars to give for housing or technical assistance to agriculture or some other benevolent purpose?

And Mr. Meyer replied :

Genuinely, Senator Church, I remember neither a figure nor a purpose nor anything concrete having been mentioned, and I am sure I would.

In light of Mr. Meyer's testimony, I want to ask you again what it was you told Mr. Meyer in that conversation that took place on September 11. Specifically, did you tell him that the ITT had \$1 million or some such figure to contribute for beneficent purposes such as building, housing, or giving technical assistance to agriculture in Chile?

**TESTIMONY OF JACK D. NEAL, INTERNATIONAL RELATIONS DIRECTOR, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. NEAL**

Mr. NEAL. I talked to Mr. Meyer on Saturday morning, September 12. I don't know whether the record shows the 11th or not.

Senator CHURCH. I think I did say the 11th.

Mr. NEAL. Yes, sir.

Senator CHURCH. We are clear on which conversation we are talking about.

Mr. NEAL. That is right, absolutely.

I telephoned Mr. Meyer very early that morning at the State Department, and spoke with his secretary. This was about 10 minutes of 9, maybe a quarter of 9, along in there, within a period of 30 minutes. I asked the secretary if he were available, and she said no, he is not in, and in the middle of the sentence she said, "Oh, here he is. Mr. Neal. Here he comes. He walked right in now and I will see if he can talk to you."

There was a short lapse there, he went into his office, I suppose, picked up the phone, and I told him about my conversation the day before with Mr. Vaky of Dr. Kissinger's office. I told him that Mr. Geneen had sent the message to Washington about his concern regarding the Chile situation and that he, Mr. Geneen, was willing to come here to discuss this with anyone in the U.S. Government. Also that ITT was willing to contribute up to \$1 million.

This was a conversation I had the day before with Vaky so I repeated it to Mr. Meyer. I didn't make any offer to Mr. Meyer. There was no need to, I didn't think. I had already made the offer to the White House through Mr. Vaky.

Senator CHURCH. So you did not mention a figure, any figure, to Mr. Meyer in the course of that conversation?

Mr. NEAL. I repeated to Mr. Meyer my conversation with Mr. Vaky, and that is what my memorandum here states, that I had given him the same information that I had given to Mr. Vaky. There is no doubt in my mind. I mentioned the seven figures again.



## PURPOSE OF MONEY

Senator CHURCH. Did you make any mention of the purpose of the \$1 million?

Mr. NEAL. No.

Senator CHURCH. To build houses or—

Mr. NEAL. I repeated what I had said to Mr. Vaky and that is that this was to assist the U.S. Government in any kind of program which it might formulate which would include U.S. private enterprise.

Senator CHURCH. This committee was advised in earlier testimony by Mr. Gerrity, that he had instructed Mr. Merriam, who in turn had instructed you, to tell the State Department and the White House that ITT stood ready to give this sum of money for constructive, benevolent purposes, to build houses, to give technical assistance to agriculture, something of that kind.

If that is so, why didn't you communicate the purpose of the offer to Mr. Meyer?

Mr. NEAL. I communicated, Senator, the message I got, and that is the way it appears here in the memorandum.

Mr. Geneen had offered to come down to discuss this with anyone in the U.S. Government. He could have gone into any details. I told him that this was for any kind, as you say, of constructive program that would include U.S. business, so, if they were interested in anything like this, Mr. Geneen would have come here and given the details himself.

Senator CHURCH. Mr. Neal, I have already read you the transcript from Mr. Meyer's testimony in which he made it clear that no purpose whatever that was related to a constructive use of the money for housing or technical assistance was revealed to him in the course of your conversation.

Mr. NEAL. I didn't mention anything about housing or anything like that to Mr. Vaky or to Mr. Meyer. And I believe you said a while ago that he does not recall, Senator—

Senator SYMINGTON. Will the chairman yield?

Senator CHURCH. Yes, Senator Symington.

Senator SYMINGTON. In your internal memorandum you say, "Chuck said he could understand Mr. Geneen's concern and appreciated his offer to assist."

There wouldn't be any reason whatever for you to make a misstatement in your internal memorandum, am I correct?

Mr. NEAL. That would indicate to me, Senator, that I did tell him about the offer.

Senator SYMINGTON. Yes.

Mr. NEAL. Because my memorandum says here that he appreciates the offer to assist.

Senator SYMINGTON. And even though Mr. Meyer denies it, that stated that you did offer to assist.

Mr. NEAL. That is right, Senator, this is September 1970.

Senator SYMINGTON. Thank you.

Senator CHURCH. Let's be clear on this: You did not in the course of your conversation with Mr. Meyer indicate a benevolent purpose like building houses or giving technical assistance.

Mr. NEAL. I did not go into detail.

Senator CHURCH. You did not even discuss what the purpose of the offer was?

Mr. NEAL. I repeated what I had said to Mr. Vaky, as I stated here in the memorandum.

#### OFFER TO MR. VAKY

Senator CHURCH. When Mr. Vaky was before the subcommittee, I asked him about his conversation with you the day before your conversation with Mr. Meyer. I said to Mr. Vaky, "He"—meaning you—"said ITT was prepared to spend sums up to seven figures" to which Mr. Vaky replied, "As I recall, approximately that."

Then I asked him:

Do you recall for what purpose ITT was prepared to spend funds up to seven figures?

And Mr. Vaky said:

Mr. Chairman, I have no personal recollection of any elaboration of that statement, any elaboration or explanation of that purpose.

And I asked Mr. Vaky:

You mean at no time during the conversation do you have any recollection that Mr. Neal specified for what purpose ITT intended to spend the sum of up to seven figures?

Mr. VAKY. I just do not remember our going into that.

And then I asked him:

Do you recall at any time during that conversation that he said anything to the effect that the money was intended for some constructive, beneficent purpose like building houses or giving technical assistance to Chilean farmers?

And Mr. Vaky replied, "I have no memory of those things."

When you talked with Mr. Vaky did you tell him what the purpose of the offer of a sum of up to seven figures was to be?

Mr. NEAL. Not specifically. I told him for any type of program which the United States might formulate in connection with other U.S. private business.

Senator CHURCH. When Mr. Vaky was before the committee I asked him, "You have no doubt when the offer of a sum up to seven figures was made it was made in the context of doing something to prevent Mr. Allende from becoming President, if that were possible?"

And Mr. Vaky replied, "That was my impression of what he was implying."

Mr. Neal, if Mr. Merriam asked you to inform the Government of ITT's readiness to offer up to seven figures for some constructive purpose, building houses or giving technical assistance to Chilean farmers, why didn't you communicate that purpose to the Government?

Mr. NEAL. Senator, I passed on to Mr. Vaky and later repeated to Mr. Meyer, the information that I was given.

Senator CHURCH. Would you please repeat that. I am sorry.

Mr. NEAL. I said I repeated to Mr. Vaky and again to Mr. Meyer, merely telling Mr. Meyer, not making an offer, the information that I had received.

Senator CHURCH. In other words, Mr. Merriam had not told you that you were to inform the Government of ITT's willingness to build houses or give technical assistance?

Mr. NEAL. Not any specific matters like that.

Senator CHURCH. Had he told you that or not?

Mr. NEAL. I said he did not tell me that.

Senator CHURCH. He did not tell you that?

Mr. NEAL. No.

Senator CHURCH. So you did not communicate it to the Government because he didn't tell you, is that right?

Mr. NEAL. That is right, Senator.

Senator CHURCH. All right.

Mr. NEAL. I passed on the message that I had received.

Senator CHURCH. Very well.

All right, are there any other questions to put to Mr. Neal?

If not, thank you very much.

Mr. NEAL. Senator, as I think back, in the prehearing with Mr. Levinson and Mr. Blum, nothing came up about development programs. I never did say anything about it then and there is nothing in the transcript about it here either, and I have a copy of my transcript.

Senator CHURCH. Mr. Neal, it was not your previous testimony in executive session that led to this inquiry; it was testimony that Mr. Gerrity gave before the subcommittee in open session that raised this question. That is why we called you back to clear it up. I think you have cleared it up.

Mr. NEAL. Thank you.

Senator CHURCH. Thank you very much.

Our next witness is Mr. Gerrity.

Mr. Gerrity, will you please stand and take the oath?

Do you swear that all the testimony you will give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GERRITY. I do.

Senator CHURCH. Please be seated.

Mr. Blum will commence the questioning.

Mr. BLUM. Mr. Gerrity, I would like to clear up one small matter before we begin reviewing the question of the purpose of the offer: The documents that were furnished by ITT to the committee indicate that you met with Vice President Agnew on August 7, 1970.

What was discussed at that meeting?

**TESTIMONY OF EDWARD J. GERRITY, SENIOR VICE PRESIDENT, CORPORATE RELATIONS, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. GERRITY**

#### MEETING WITH VICE PRESIDENT AGNEW

Mr. GERRITY. My best recollection, Mr. Blum, is that we discussed the antitrust policy of the administration, we reminisced about the Army and so forth.

Mr. BLUM. Was there any discussion of ITT's problems in Chile?

Mr. GERRITY. I don't recall any, Mr. Blum.

Mr. BLUM. Was ITT's position in Latin America raised as an argument for not pursuing the antitrust cases then pending?

Mr. GERRITY. I don't recall, sir.

Mr. BLUM. All right.

Did you meet Vice President Agnew or talk to him at any point from that time until after the Chilean congressional vote on President Allende?

Mr. GERRITY. I don't remember. I think I may have seen him once in New York.

Senator PERCY. Mr. Gerrity, if it is possible for you to give a yes or no answer, it would be much more helpful.

Mr. GERRITY. I think I may have seen him once, that is the best of my recollection.

Mr. BLUM. Your recollection is you may have seen him once in New York?

Mr. GERRITY. Yes, sir.

Mr. BLUM. What was the subject of that conversation?

Mr. GERRITY. That was at a breakfast in a hotel in New York where he had a group of businessmen there and it was just a general discussion of conditions in the country and so forth.

Mr. BLUM. You did not discuss your problems in Chile with him then?

Mr. GERRITY. No, sir, I have no recollection of that.

#### WHEN DID CONVERSATION WITH MR. GENEEN TAKE PLACE

Mr. BLUM. When you testified, you referred to a conversation that you had with Mr. Geneen. Do you recall exactly when your conversation with Mr. Geneen about an offer to support a government program up to seven figures occurred?

Mr. GERRITY. I think it was on that Friday, September 11, I believe, it was before Mr. Neal made his phone call, Senator.

Senator CHURCH. That was September 11, following the popular elections in Chile and the ITT board meeting which took place on the 10th. Is that correct?

Mr. GERRITY. It was subsequent. I think the board was a couple of days before, Senator, whatever the day was. Yes.

Mr. BLUM. The testimony, Mr. Gerrity, is that the board meeting took place on the ninth. The testimony is also there was a conversation between Mr. Geneen and Mr. McCone sometime in the period immediately surrounding that board meeting. Therefore, isn't it likely that your conversation with Mr. Geneen took place shortly after his conversation with Mr. McCone?

Mr. GERRITY. My recollection is that Friday.

Mr. BLUM. As you describe the conversation in your sworn testimony, it was at that time plain to you that President Allende was going to be elected President of Chile because Mr. Tomic had withdrawn from the race. Was that the situation?

Mr. GERRITY. My recollection was I was convinced Mr. Allende would be president especially since Mr. Tomic had indicated he was going to support him when the parliament met.

Mr. BLUM. And you quote Mr. Geneen as having said to you: "Maybe there is something we can do to demonstrate to Allende and to Chile that we have confidence in Chile?"

Did he, in fact, say that?

Mr. GERRITY. Sir, I don't know whether he said that exactly. I have read this very carefully, and I would submit that in relating this to you previously that I did this perhaps to underline the conversation, but I have no recollection that Mr. Geneen actually said these words and they really shouldn't be in quotes.

Mr. BLUM. You further quoted Mr. Geneen, whether directly or by paraphrasing, saying:

I think we should go to the State Department and see if they have any kind of plan to encourage private enterprise to do something in an extraordinary fashion at this point in time to reassure Mr. Allende.

Now, I would like to focus on the word "reassure."

Did Mr. Geneen say that to you?

Mr. GERRITY. Sir, I don't think he said that exactly again. We are talking about my recollection of the conversation as I understood it, going back a couple of years.

Senator CHURCH. Mr. Gerrity, when you testified earlier, you remembered that Mr. Geneen had said these things, and you testified to this effect. Now you say, when we call your attention to your testimony, that you don't recall that he did say these things to you.

Mr. GERRITY. Sir, I am not saying I don't recall the thrust of the conversation. But I don't think I can truthfully say I recall the specifics of a conversation of a couple of years old.

#### PREVIOUS TESTIMONY

Senator CHURCH. Well, let me read your testimony. It seems odd that today you have difficulty recalling the conversation, which you didn't have a week ago. You said:

Because of the fact that Allende's party for a couple of years had been recommending nationalization or expropriation of various industries we were concerned that we would probably be expropriated. So, in talking with Mr. Geneen about this he said, "Maybe there is something we can do to demonstrate to Allende and to Chile that we have confidence in Chile, we have been there a long time, we would like to stay there, we have always had a good relationship there and we would like to maintain that." and I asked him what he had in mind, and he said, "I think we should go to the State Department and see if they have any kind of a plan to encourage private enterprise, do something in an extraordinary fashion at this point in time, to reassure Mr. Allende." In other words, he had been espousing an anti-foreign investment line, an anti-U.S. investment line, and he said, "Why do we not contact State and others to see if they have a program or a plan," the idea being that they would get together a group of companies, that is, State or someone, they would get together a group of companies to come up with some sort of a program to confirm our confidence and to help the Chilean economy.

That is what you testified to when you were here before the subcommittee a week or so ago.

Are you telling us this morning that you cannot recollect such a conversation with Mr. Geneen?

Mr. GERRITY. No, sir, I am not.

Senator CHURCH. What are you telling us?

#### PLANS TO DISCOURAGE EXPROPRIATION

Mr. GERRITY. What I am saying, sir, is I had a conversation with Mr. Geneen generally on these lines. I am saying that I cannot truth-

fully assert that these are the exact words that Mr. Geneen said to me and that I said to him. But the thrust of our conversation was, as I saw it, and I believe he agreed with me, that Senor Allende was about to become the President of Chile, and this was a period of time where we feared—well, let me correct that, we were quite certain, sir, that on the basis of his platform, his announcements that our property would be nationalized or expropriated. In fact, we were convinced he was going to do exactly what he said he was going to do, so as I recall our effort here, our conversation here, Mr. Geneen suggested that perhaps there was something we could do to create an environment in which we might assure ourselves of an opportunity to receive prompt and adequate compensation when the inevitable expropriation occurred.

Senator CHURCH. All right.

In that conversation, did Mr. Geneen say to you that he wanted you to contact the State Department to see if they had a plan to support Mr. Allende in which ITT could participate?

Mr. GERRITY. Sir, my recollection is he said, "I think we should tell the State Department and/or the White House of our concern. Ask them if they have a plan to do something about this situation, and tell them we are willing to participate."

Senator CHURCH. When you say "to do something about this situation"—

Mr. GERRITY. Yes, sir.

Senator CHURCH [continuing]. Don't you really mean, and didn't you really understand at the time, that what Mr. Geneen meant was that ITT was willing to give substantial financial assistance to a Government plan which might improve the chances for forming a coalition that would prevent Mr. Allende's election in Congress?

Mr. GERRITY. No, sir, that would have been inconsistent with my thinking. I was convinced that Mr. Allende would be elected President.

Senator CHURCH. Isn't it a fact that Mr. Geneen said to you that, even if the plan did not succeed in blocking Mr. Allende, it might make him more willing to negotiate?

Mr. GERRITY. I don't recall.

Senator CHURCH. You don't recall?

Mr. GERRITY. I don't recall about blocking Allende because what I believe Mr. Geneen and I were convinced was that Mr. Allende would be elected.

Senator CHURCH. I know. But in that conversation, didn't Mr. Geneen lead you to understand that even if such a plan didn't work—I understand you were skeptical about the workability of the plan—it might make Mr. Allende more willing to negotiate?

Mr. SCHAFER. Are you reading from the transcript, Mr. Chairman?

Senator CHURCH. No.

Mr. GERRITY. Sir, I have no recollection of that. My recollection is that Mr. Geneen was trying to figure out a way to create an environment which would insure prompt and adequate compensation.

Senator CHURCH. All right.

So that was your understanding?

Mr. GERRITY. Yes, sir.

## PURPOSE OF CONTRIBUTION

Senator CHURCH. Based on your conversation with Mr. Geneen, that was your understanding of what the money was intended for, some constructive use?

Mr. GERRITY. Yes, sir.

Senator CHURCH. Like housing and technical assistance to agriculture?

Mr. GERRITY. Mr. Geneen suggested, sir, that we should try to determine whether the Government had a plan and, if so, let them know we would be willing to participate. Then he threw some ideas at me and I said what ways could we participate.

Senator CHURCH. What were the ideas?

Mr. GERRITY. As I recall, sir, he said we could only participate in those areas in which we had a capability. For example, we had a capability in housing, we had a capability in communications, we had a capability in food processing, you know, whatever we had across the board that might be useful if there were a plan. We did not have a plan. We just had some rough ideas.

Senator CHURCH. All right.

Did you then speak to Mr. Merriam for the purpose of having him take steps to advise the U.S. Government of ITT's willingness to make up to a million dollars available to help finance such a plan?

Mr. GERRITY. Yes, sir, I did.

Senator CHURCH. And did you make it clear to Mr. Merriam that the purpose of the plan was a constructive one, like helping with housing or giving technical assistance to Chilean farmers?

Mr. GERRITY. Sir, I don't remember but I thought I did, I thought I made it very clear to him.

Senator CHURCH. You thought you made that very clear to him?

Mr. GERRITY. Yes, sir. I think I made clear, Senator, that we were willing to participate in a plan if there were one, and that we would participate in some useful way.

## FAILURE TO COMMUNICATE PURPOSE OF MONEY

Senator CHURCH. You have heard Mr. Neal testify that he was the one who was chosen by ITT to communicate this information to the Government. He spoke to Mr. Vaky and to Mr. Meyer, and no one told him to tell either Mr. Vaky or Mr. Meyer about the purpose of the money being to help in some constructive way, either the farmers or the people in need of housing. Are you saying that there was a failure of communication on such an important matter as this, that you made it clear to Mr. Merriam but Mr. Merriam failed to make it clear to Mr. Neal?

Mr. GERRITY. Sir, I did not talk with Mr. Neal, I heard what he said Mr. Merriam said to him. I did not talk to Mr. Neal. But I think the important thing was to find out if there were such a plan or such an interest on the part of the Government because I think we did make plain Mr. Geneen was willing to come down and talk about it and I wanted to talk about—

Senator CHURCH. But certainly the one piece of vital information to convey to the Government was what it was that Mr. Geneen wanted

to talk about, what the money was for. Mr. Vaky says it was clear to him from the context of the conversation that the money was to be a part of an effort to block Allende. He didn't draw any impression that it was to be for any constructive purpose.

Mr. GERRITY. Sir, I think the important thing from our standpoint was to let the Government know (a) we were concerned about the situation (b) we were inquiring do you have a plan and (c) we are willing to participate in it.

I think the other things are details because I don't think we had any really well-thought-out plan, at least I don't recall it.

Senator CHURCH. If someone came to me and said, "I have a million dollars to offer to you for a plan," is it just a mere detail for me to wonder what plan, what kind of a plan you had?

Mr. GERRITY. No, sir, it is not but we said, "Mr. Geneen will come down and discuss this with you if you have a plan."

We didn't say we had a plan, Senator. We said we hope Government has a plan and if they do we have some idea and we would like to participate.

Senator PERCY. Mr. Chairman, would you yield for just one question?

Senator CHURCH. Yes, indeed.

#### USEFULNESS OF MILLION DOLLAR FUND

Senator PERCY. Mr. Gerrity, do you feel that the expenditure of a million dollars for housing, technical assistance, aid to farmers, whatever it may be, could have any kind of significant impact as a part of an overall Government plan?

Mr. GERRITY. Sir, as I read your question, I would say no. But I think Mr. Geneen had some ideas which I don't pretend to even understand or we didn't even discuss. He suggested that we just try to get this appointment for him, and I don't know even if he had a plan. We had some ideas and it was at a point in time when we were registering among ourselves deep concern to assure ourselves that we would be compensated when our property was taken. What you are saying if you just took a million dollars what could you build for a million dollars? No, sir, you could not.

But I don't know what was really in Mr. Geneen's mind at that time, sir.

Senator PERCY. Well, we can certainly question Mr. Geneen on that, but we would like to know from you as a top official of the company, in direct contact with Mr. Geneen, what you know and what credibility you could establish for such a plan which seems so implausible to so many of us.

Mr. GERRITY. Yes, sir, I understand what you are saying but the idea was that if we mentioned a million dollars we would attract attention. We would show concern, attract attention and hope to stir up some interest from Government so Mr. Geneen would go in and kick our ideas around. That is my understanding, sir.

Senator CHURCH. Mr. Gerrity, when Mr. Merriam was before this subcommittee or in the preinterview with Mr. Merriam, he told us categorically that when you spoke to him about the million dollars he had no idea whatsoever of what the money was for. He assumed it meant that if any agency needed money to act and didn't have it in the budget,



that is any Federal agency, I gather, the company would be willing to supply it. That is a new concept of how the Government does business. If it lacks money in the budget it gets it from ITT. But he said categorically that he had no idea whatsoever what the money was intended for or what purpose the money was intended for.

Can you tell us, when you, after your conversation with Geneen, when you instructed Merriam to take steps to advise the Government that this money was available, whether or not you told Merriam that the purpose was to be a beneficent one. A constructive one.

Mr. GERRITY. Sir, apparently I did not.

Senator CHURCH. Oh, apparently you did not.

Mr. GERRITY. On the basis of what Mr. Merriam said, I thought I did.

Senator CHURCH. The story becomes more and more curious. It starts at the top, with a beneficent offer from the president of the company, to the Government of the United States so I think we had better call the president of the company.

Thank you.

Mr. Geneen, please.

Mr. Geneen, will you please raise your hand?

Do you swear that all the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GENEEN. I do.

Senator CHURCH. Mr. Geneen, I understand that you have a prepared statement which you have submitted in accordance with the rules of the committee.

**TESTIMONY OF HAROLD S. GENEEN, CHAIRMAN AND CHIEF EXECUTIVE, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. GENEEN**

Mr. GENEEN. That is right.

Senator CHURCH. Please proceed to read that statement at this time.

**STATEMENT OF MR. GENEEN**

Mr. GENEEN. I appreciate this opportunity to appear before this subcommittee to clarify the facts regarding ITT's concern and actions with respect to the Chilean elections in 1970, and subsequent events.

**THE BASIC FACTS**

The basic facts are:

1. ITT did not take any steps to block the election of Salvador Allende as president of Chile. He was, of course, duly elected by the Congress of Chile on October 24, 1970.

2. ITT's concern was based on the possibility, which later became a fact, that its 70-percent-owned telephone subsidiary in Chile—Chil-telco—amounting to \$153 millions of investment, would be seized and expropriated without compensation.

3. ITT did not encourage or participate in any way in any alleged plot for a military coup in Chile to block the election of Dr. Allende.

4. Nor did ITT contribute money to any person or to any agency of any government to block the election of Dr. Allende.

5. ITT did not take any action to cause economic chaos in Chile in an attempt to block the election of Dr. Allende, nor did it advocate that any others take such steps. On the contrary, it continued to operate its telephone subsidiary in Chile as efficiently as possible and continued its expansion program of Chiltelco as best it could until it was seized by the Allende government on September 29, 1971.

#### ITT ONLY PETITIONED GOVERNMENT

All that ITT did was to present its views, concerns, and ideas to various departments of the U.S. Government. This is not only its right, but also its obligation. The right is a very important constitutional right, and I would hope that this committee would agree that it is not wrong for a citizen to try to approach Government officials to discuss with them his problems and concerns, and to raise possible solutions consistent with Government policies.

In turn, the obligation to so petition the Government arises because the management of any company has a direct obligation to the shareholders and to the employees to attempt to protect their interests.

When it is said that ITT was "seeking only to protect its own interest," it should be kept in mind that ITT is not an abstract entity, but is instead an organization representing the interests of literally millions of people—employees, shareholders, pensioners, suppliers, direct and indirect, and the like, the vast majority of whom are also U.S. taxpayers and citizens.

The facts as I understand them are most clearly stated in terms of the three periods relating to the selection and subsequent administration of Dr. Allende as President of Chile.

#### PERIOD BEFORE POPULAR ELECTION

1. Before the popular election. In the early months of 1970 it became apparent that Chile for the first time might elect a Marxist president. This was because it appeared that the democratic majority vote would be split between two candidates. With a large investment at stake in Chile, I was, of course, concerned about the election outcome under these conditions, as it was clear from the statements of his own UP Marxist group that Dr. Allende, if elected, was committed to widespread nationalization including Chiltelco.

At one of our board meetings I expressed my concern to Mr. McCone, and at his suggestion it was arranged that I meet with a representative of the CIA in order to get a detailed rundown from the Government as to the prospects of an Allende victory and what might happen thereafter. This meeting occurred in mid-July 1970 with Mr. Broe of the CIA. Mr. Broe gave me a detailed analysis of the candidates and the prospects of the election which confirmed the most pessimistic views. He gave me the impression that Dr. Allende could be expected to go forward with the expropriation of foreign investment even though he would be only a minority president. This confirmed my severe concern as the likely loss of our company.

I understand Mr. Broe recalls that I raised a question whether a contribution could be made through the Agency to support a Democratic candidate. He says he said "No." I don't recall this part of the conversation, but it is a matter I might well have raised in view of my

concerns. Since I have no recollection to the contrary, I accept it. In any event, the subject was obviously dropped and I did nothing further about it.

#### PERIOD BETWEEN ELECTIONS

2. Between the popular election and the congressional confirmation. The election in Chile took place on Friday, September 4, in which, as feared, Dr. Allende received a plurality of 36.3 percent compared with 34.9 percent for Mr. Alessandri and 27.8 percent for Mr. Tomic. Thus, the democratic vote of 63 percent had been divided and as a result the Marxist party of Dr. Allende had won with little more than one-third of the popular vote.

On the next day, Saturday, September 5, it was reported that Mr. Tomic of the Christian Democratic Party had pledged his full support to the Allende candidacy for the confirmation election which was required in the Chilean Congress.

Historically, the Chilean Congress had voted to elect the candidate with the highest vote, but I believe never before on such a deep cleavage of philosophy. There were 200 votes in the congress of which Dr. Allende already had about 80. Tomic's action gave Dr. Allende, according to our information, about 40 more. Thus, as of September 5, Dr. Allende appeared to have more than sufficient support in congress to insure his confirmation.

#### M'CONE FELT COALITION POSSIBLE

On September 9, 1970, these results were reported in our board meeting. Mr. McCone expressed to me disappointment with the results since it represented reversal for U.S. policy of many years standing. Chile was apparently turning to a Marxist philosophy of government on a mandate of only one-third of the voting electorate.

He felt that the Chilean people might still arrive at a democratic coalition solution which would be more representative of the majority of the electorate. He felt the timing was already late but there was still a chance that our Government might develop a plan that might improve the chance for a democratic coalition.

#### HOPE TO MODERATE NATIONALIZATION PROGRAM

Even if this should not develop, it seemed to me that the narrowness of Dr. Allende's victory gave room to hope that Allende's nationalization program could be moderated. Thus, it seemed to me that some sort of plan might be developed by our Government that might induce Dr. Allende to proceed with nationalization in a way that would permit orderly recovery of the vast U.S. investments, including ITT's, that were at stake.

The American owned property in Chile is said to be worth about \$2 billion. It was obvious that payment for expropriation of this amount would be a tremendous burden on the Chilean economy, and on the new regime, and thus might well require a long-term recovery plan for U.S. investors.

A U.S. Government plan would offer to Allende a quid pro quo for proceeding with nationalization in a manner that would provide for long-term recovery of U.S. investments. Of course, our thinking

was very preliminary and we had no specific plans, but we did think that some socially constructive joint private industry and Government projects could be part of the overall plan.

Such a plan might well envision the willingness on our part and others risking reasonable additional funds in order to safeguard the very large amounts which were at risk.

#### APPROACH TO GOVERNMENT OFFICIALS ORDERED

Through Mr. Gerrity, I directed that an approach be made to both the State Department and Dr. Kissinger's office, to tell them we had grave concern over the outlook for ITT's investment and we were desirous of discussing our thoughts in Washington and willing to assist financially in any Government plan to help protect private American investment in Chile.

The amount mentioned of up to seven figures was intended to show a serious intent and to gain serious attention from the Government.

On September 11, Mr. Neal of our Washington office telephoned Mr. Vaky of Dr. Kissinger's office to express our concern and suggest that I would be glad to come down and discuss the matter with them. In this call, Mr. Neal mentioned ITT's interest and willingness to assist a U.S. Government position financially in sums up to seven figures. I understood at the time that Mr. Neal also telephoned Mr. Meyer and gave him the same message.

I asked Mr. McCone to support the idea in Washington, and he did so with Dr. Kissinger. Mr. McCone has already told you that he also mentioned to Mr. Helms the proposal that had been made to Dr. Kissinger. It should be clear, however, that Mr. McCone did not offer to contribute anything to the CIA. This action in September was an entirely different matter from anything that may have been discussed by Mr. Broe and myself in July. There was no reply from the government regarding Mr. Neal's or Mr. McCone's calls.

During this time the various ideas and suggestions of staff personnel that have been discussed in these hearings were advanced. With a minor exception they were never pursued by ITT or the government.

Dr. Allende was confirmed on October 24, and took office on November 4, 1970.

#### THE POSTELECTION PERIOD

After Dr. Allende took office, Chiltelco was intervened.

3. Having maintained Chiltelco through this period to the best of our ability, we now turned to the task of ascertaining Dr. Allende's plans for the company and later, of negotiating the basis of payment for the expected expropriation of our properties. In May 1971 Dr. Allende informed us that Chiltelco would be nationalized, and we carried on negotiations as to payment. In June 1971 we got an offer of \$24 million for our \$153 million investment. Starting in January 1971, and with an increasing tempo during the summer of 1971 the company and its personnel were subjected to various harassing tactics, compulsory wage increases, denial of compensating rate increases, seizure of bank accounts, arbitrary arrests of our Chilean managerial personnel, et cetera.

On September 29, 1971, Chiltelco was taken. This was 6 months before the Anderson publications.

**BEST COPY AVAILABLE**

## CONCERN OF OTHER CORPORATIONS

During this period following the confirmation of Dr. Allende as President there were increasing concerns by all American investors in Chile as to the payment for the expected and actual expropriations. These concerns were materially heightened when legislation was published calling for nationalization of the large copper companies and which did not provide for fair payment.

During this period ITT and other companies made a number of suggestions and representations to the U.S. Government, including Congress, concerning the expected and actual expropriations, and the fact that Dr. Allende seemed to be moving in a direction to avoid fair payment. These suggestions sought to enlist U.S. Government support to make it clear that the United States would not lightly accept arbitrary and unlawful action by Dr. Allende, and that the United States would take all lawful steps to protect the property of U.S. nationals in Chile.

## PROSPECTS FOR COMPENSATION BLEAK

Today out of the approximately \$2 billion of private American property that has been taken in Chile, less than \$150 million has been paid for or promised to be paid for by the Chilean Government. The prospects at this point appear bleak that Chile will compensate for this enormous loss to American business and to American stockholders, taxpayers, and investors with its obvious effect on our balance of payments.

Referring to the U.S. balance of payments, the other day Senator Percy asked Mr. Guilfoyle for some statistics on the impact on ITT's total operations. I understand most of this data has been compiled and will be submitted to the committee very shortly.

I thought, however, that this committee would be interested to note that ITT has contributed \$1 billion to the U.S. balance of payments in the past 5 years from its worldwide operations, and we estimate an approximate \$2 billion contribution over the next 5 years.

## ITT PROTECTING INVESTMENT

In conclusion I firmly believe that fairminded persons would agree that ITT should have tried to protect its investment in Chile in the face of a Marxist takeover and all it implied, and that we should have sought the help of our own Government. That is what we did and that is all we did. The U.S. Government for its own reasons took no action, and we accepted that decision and operated within the framework of U.S. Government policy. There may have been better ways for us to have proceeded, but certainly American companies should have the right to seek and depend upon support from their own Government in protecting their legitimate interests abroad.

Thank you.

Senator CHURCH. Thank you, Mr. Geneen.

I take it from your statement that we can virtually stipulate certain matters as fact or not in dispute, specifically with respect to Mr. Broe's testimony as to the substance of your conversation with him on July 16, 1970.

So that we are absolutely clear on this point, I will read you the relevant excerpts from his testimony. You have the transcript there.

#### BROE TESTIMONY REVIEWED

I asked Mr. Broe: "Did Mr. Geneen say to you that he was willing to assemble an election fund for one of the Chilean Presidential candidates, Mr. Jorge E. Alessandri?"

And Mr. Broe answered: "Yes, he did."

Then I asked Mr. Broe: "You remember that quite definitely and specifically?"

And Mr. Broe answered, "Yes, sir, that is right."

And then I asked, "Did he say that the amount of the fund would be substantial?"

And Mr. Broe replied: "He indicated he was considering a substantial fund."

Then I asked Mr. Broe, "Did he mention a specific figure?"

And Mr. Broe replied, "No, he did not."

And then I asked: "Did he say to you that he wanted the fund controlled and channeled through the CIA?"

And Mr. Broe replied, "Yes, he did."

Then I asked, "Did you agree to accept the fund offered by Mr. Geneen?"

And Mr. Broe said, "No, I did not."

And then I asked, "Did you explain to Mr. Geneen why the CIA would not accept such a fund?"

And Mr. Broe replied, "Well, I told him we could not absorb the funds and serve as a funding channel. I also told him that the U.S. Government was not supporting any candidate in the Chilean election."

This conversation took place prior to the popular election in July. The popular election was in September. And you have said in your statement, with respect to your part of the conversation with Mr. Broe, "Since I have no recollection to the contrary, I accept it."

I take it by that you mean that you are accepting as accurate Mr. Broe's version of what took place in that conversation?

Mr. GENEEN. May I respond to that, Senator?

Senator CHURCH. Yes.

Mr. GENEEN. I think I previously testified to the committee that I did not have any independent recollection of this subject. I said that I felt that I may well have, as I pointed out in my statement, from the shock of recognizing that, you might say, our Chilean investment was going down the drain, I might well have come back and said, "Can we?" in effect.

I think it is clear that we are not talking about candidates, we are talking about what appears to be a reversal of the U.S. policy for many years down there, a policy which I think we all understood or thought we did, which is the basis on which we had been encouraged by five administrations to invest and go into Chile and my concern is one of help basically.

Now, I have never talked to anybody before or afterward, and I am sure of that, so I don't know what I would have been assembling, and I didn't mention any amount, so it is my reaction and conjecture

that what I was really saying I was willing to work if it would help as against a policy problem as it appears to me.

Mr. Broe, from his own testimony, said it was not the Government policy and it died right there and I might add if I had given it more serious consideration I might have rejected it myself. But I thought of it, if I would place myself in the role probably of saying can I help, and it died right there as not being Government policy.

Senator CHURCH. Mr. Broe, as I read from the testimony, it says you offered the money for the purpose of helping to finance the candidacy of Mr. Alessandri who was the conservative candidate in the Chilean election.

And he says that he remembers that quite definitely and specifically.

When you say you have no recollection to the contrary and therefore accept Mr. Broe's statement, you accept his recollection that you offered the money to support Mr. Alessandri. Is that correct?

Mr. GENEEN. I do accept it, and I said so. I am only saying that in thinking of the conditions under which this must have occurred that I was in effect offering to do something, a willingness to do something, as I have pointed out. There has been no conversation, to my knowledge, that I can recall, and I am sure it is true, with anybody so I can't be assembling anything other than what arose in the course of a conversation.

Now, I think Mr. Broe has testified that this conversation took something less than an hour, almost an hour, it is almost 3 years ago, it was about 10:30 at night and I don't recall the details of it. If you meant reaction to the idea of having our investment go down the drain, that is part of it and it is a reversal of what appeared to be, we thought, a long-term U.S. policy, that is also part of it.

#### BASIS FOR ITT CONCERN

I might add one other thing, we have been through seven of these Communist takeovers of our assets, Chile is the eighth, Cuba was the seventh, and we have never been paid for any of them and, as it turns out, Chile is in about the same role, we have not been paid for it, and there is a reason for it.

Basically, as I see it, it is generic to the Communist philosophy: they are not interested in private investment, they are not seeking private investment, it is an expendable area; so what happened in Chile and what happened in Cuba is entirely consistent with what we expect, and if there was a change in policy which, it seemed to me, must have taken place as against the experience that we had had, and recognizing what had happened in 1964, where the U.S. Government appeared to take a very strong position in the Chilean area, it is quite obvious that some kind of a veering of policy had taken place which said, in effect—I have no quarrel, it was a Government decision—that we are going to stand by and without lifting a finger even if it is a minority, this thing may well go down the drain, but nobody ever told business that, nobody ever told me that, and I am sitting there apparently worrying what is going to happen to our investment and perhaps as it has turned out well justified.

Senator CHURCH. Yes, I don't think the committee questions the reasonable basis for your concern.

Mr. GENEEN. Well, I am not proud of it, I will be frank.

Senator CHURCH. You had a basis for concern, and Mr. Allende has acted in a way consistent with his Marxist philosophy which, of course, is opposed to private enterprise. But I just want to get from you clearly what happened in this first conversation with Mr. Broe.

#### ITT OFFER OF MONEY TO CIA

It is very important that we know. You have said that you accept Mr. Broe's recollection that you offered a substantial sum of money to help finance a U.S. Government plan to back the campaign of Mr. Alessandri.

Mr. Broe also recalls that your offer was to furnish the money to the CIA; that is to say, it was to be channeled through and controlled by the CIA.

Do you also accept Mr. Broe's recollection on that score?

Mr. GENEEN. Senator, I have no recollection, as I have said, of this part of the subject, and I have accepted Mr. Broe's statements. Senator CHURCH. You have accepted his statements?

Mr. GENEEN. And I answered what my conjecture of what my feeling was as to why it may have come up the way it did and I think it is important in my mind that that rose and died right there as not being within any government policy and that was the end of it.

#### RIGHT TO PETITION U.S. GOVERNMENT

Senator CHURCH. Well, you have also said in your statement that you think that any American company has a perfect right to take its case to the Government and present its case to the Government. There is no one on this subcommittee that would argue with you on that proposition. Of course, you have a right. But according to Mr. Broe's recollection of your first meeting with him, it had to do with much more than taking your case and expressing your concern. It had to do with offering the CIA a large sum of money for the CIA to use in financing a Chilean presidential candidate.

That goes far beyond coming to your Government and petitioning it to consider your problem in Chile, doesn't it?

Mr. GENEEN. Senator, it is hard to discern some of the difference there. I look on the CIA as a part of the U.S. Government. I think it is a very difficult, arduous task that they perform. I am sure they do not carry out any action of any kind that is not part of the overall policy of the U.S. Government.

#### PROPRIETY OF OFFERING MONEY TO CIA FOR OPERATIONS IN A FOREIGN COUNTRY

Senator CHURCH. Do you think it is proper for a large American company or any American company privately owned to offer the CIA a substantial sum of money for the purpose of financing a CIA operation in a foreign country?

Mr. GENEEN. Well, I was saying that I think that they will know what the Government policy is because they are part of the Government, and they will be quite free to tell me if it is not.

Now, I come back to the point you are speaking of; again we are operating on conjecture. As I say, from the facts it had to be more in the area of a query that I was raising: Could we help?



## ARRANGING MEETING WITH CIA

Senator CHURCH. In your statement, you also say that Mr. McCone suggested that you meet with a representative of the CIA. So, I take it, it was Mr. McCone who suggested this meeting in the first place.

You did not ask Mr. McCone to arrange the meeting, did you?

Mr. GENEEN. I am not too clear on the details. I am sure he suggested it, and he apparently had talked to Mr. Helms saying that he thought it would be helpful if we could get some information, and I think that when I asked our Washington office to set up the meeting they were aware I was coming and that is how it worked out, and again the purpose of that meeting, which is the gist of which I remember well which I have spoken to in my statement, had to do with what was happening in Chile. I think the conclusions we have reached, which I refer to in my statement, were very pessimistic and this had to be an afterthought of some kind resulting from that kind of a discussion. I don't remember the details of the discussion about Chile but it is obvious that the meeting was something short of an hour, that had to be the bulk of the conversation.

Senator PERCY. Mr. Chairman, may I ask Mr. Geneen at that point—

Mr. GENEEN. Yes, sir.

Senator PERCY [continuing]. If the purpose of the meeting was to find out what was happening in Chile?

Mr. GENEEN. Yes.

## MR. BROE'S TITLE

Senator PERCY. Did Mr. Helms, through Mr. McCone, give you any explanation of why Mr. Broe, the Chief of Clandestine Operations for Latin America, was assigned the task of giving that kind of information instead of a regular briefing officer qualified to give intelligence briefings?

Mr. GENEEN. I think the best answer I can give you to that, Senator—I never knew until this hearing that there was a distinction between a clandestine group and an intelligence group. I thought they were all the same.

Senator PERCY. Can you tell us how Mr. Broe's position in the CIA was described to you either by Mr. McCone or Mr. Helms, whomever you may have been in touch with?

Mr. GENEEN. Mr. McCone I don't think gave me any name or any description of anybody, and Mr. Broe merely introduced himself as being involved in Latin America or something of that sort. There was absolutely nothing in Mr. Broe's conversation that I can think of, and I don't recall the details, but I have no impression it was other than intelligence we were talking about.

Senator CHURCH. Senator Symington has a couple of questions.

Mr. GENEEN. Yes; thank you.

## TAXATION OF MULTINATIONAL CORPORATIONS

Senator SYMINGTON. Mr. Geneen, as perhaps you know, for nearly 10 years I have been interested in our continuing unfavorable balance-of-payments situation which you referred to.

Tax deferral for foreign income permits U.S. corporations to pay no income on profits of their foreign subsidiaries until such profits

are brought back home, which may be never. It is reported that in 1970 American-based multinational corporations earned \$16.5 billion in overseas profits, but paid only \$900 million in tax to the Internal Revenue Service. While corporations whose profits are earned in this country are subject to a 48-percent tax rate, multinationals are paying around 5-percent tax rate on profits earned away from this country.

Is not this loss to the U.S. Treasury a direct cost to the welfare of the American people, and does it not diminish the much-needed resources required to adequately attack the problem of our cities, our towns, our farmpeople, and the environment?

Mr. GENEEN. May I respond to that, Senator?

Senator SYMINGTON. I would appreciate it.

Mr. GENEEN. Senator, I think the first thing that one must be clear on is that a multinational company operating overseas is a local corporation and basically a citizen of that country. It competes in that market, based upon all of the local rules that, you might say, extend to all of the other companies it competes with.

In most of the developed countries in Europe their tax rates are as high as ours and, in some cases, higher.

Now, under those circumstances we are paying rates of tax on the operations we have in Europe which are competitive with our competitors and which are as high as the rates over here. Let me assume for the moment they are 48 percent.

Now, having paid a 48-percent tax over there, to bring the after-tax earnings over here and pay another 48-percent tax would really mean that we would be paying something on the order of about 70 percent, it would be higher than that—it would be about 73-percent tax. At that point we would be paying in effect a 73-percent taxation rate in trying to compete with our competitors overseas who are paying 48 percent. I think it stands to reason immediately that we could not compete on that basis and the only solution we would have would be to liquidate and sell our properties.

Now, I have pointed out in my statement that we will bring back \$2 billion in the next 5 years by our estimate.

I think it is also important, Senator, that the multinational companies brought back something on the order of \$7 billion last year which was enough to offset our trade deficits. In fact, I have used this phrase before—it would appear to be the only winning horse we have got going in this balance-of-payments race. So I am only saying that I understand the thought that it would appear when these earnings come back that they are lightly taxed. They are actually taxed at whatever difference there is between the tax rate in Europe and our tax rate here so that it is equalized as to that tax.

You referred to one other point, that they may never come back, in which case they would not suffer an additional tax in the United States. I think this is one of the issues that the House Ways and Means Committee is considering. I think it makes us somewhat noncompetitive with the companies we have to compete with over there, and should be looked at carefully but that certainly is an entirely different question from whether they should be taxed twice.

Am I clear, Senator?

Senator SYMINGTON. Thank you, Mr. Geneen.

Senator CASE. On that point, would the Senator permit further development of one point on that tax question that he raised?

Senator SYMINGTON. I would be glad to yield.

Mr. GENEEN. I will be glad to respond to it because I think it is a very important area for this committee.

Senator CASE. It is indeed and it is good to have you here.

#### USE OF TAX HAVENS

Mr. GENEEN. I don't mean to elaborate it but I think an awful lot of the balance of payments in the United States is at stake ahead. I just want to say I am more concerned about where our dollar is going in the next 14 months than I was in the last 14 months.

Senator CASE. Is it not true that reinvested profits in foreign countries are not taxed in many countries, such as France, Belgium?

Mr. GENEEN. Senator, I will be brief, so I can get back to the other Senator but I just want to make a comment.

What you are really talking about are so-called tax havens and I think it was the tax bill of 1966 or 1968, or somewhere around there, that practically locked those all out. In our case we are taxed as operating companies for everything we did or we remit it back here and get the additional tax, whatever it may be beyond that. We have an OFDI proceeding which is, in effect which requires us, to bring back about 60 percent, I think it is around 60 percent, of our earnings in dividends, that is already a burden that no foreign company suffers and we make this up by borrowing locally.

Senator CASE. I thank the Senator. I will develop this further on my own time.

Mr. GENEEN. I will come back. Thank you.

Senator CHURCH. Senator Symington.

#### ITT EARNINGS AND TAXES

Senator SYMINGTON. Mr. Geneen, how much did your company make last year?

Mr. GENEEN. I have to convert it. Probably about, I don't remember the exact figure but it was probably, \$450 million by rough figure.

Senator SYMINGTON. How much taxes did you pay?

Mr. GENEEN. If I add them all up, Senator, including our foreign and local taxes, I think our rate was somewhere—and I am guessing a little bit here—about 44 percent. I will have to get you the exact figure.

Senator SYMINGTON. Federal income tax?

Mr. GENEEN. No; that would be Federal and foreign taxes, all income taxes. I will get you the exact figures, to the committee.

Senator SYMINGTON. What was your Federal income tax?

Mr. GENEEN. Our Federal income tax, I would have to get you the figures but it would be based upon our taxes on the income in the United States plus the additional tax on any foreign earnings.

Senator SYMINGTON. I understand, but you made \$450 million. What is the Federal income tax?

Mr. GENEEN. I don't have the figures in mind.

Senator SYMINGTON. Is there anybody in your organization who has them?

Mr. GENEEN. No, but we can get it for you.

Senator SYMINGTON. You don't know yourself, you don't know what your taxes were?

Mr. GENEEN. But I will get them for you.

Senator SYMINGTON. Please supply them.

Mr. GENEEN. Gladly.

[The information referred to follows. For additional tax data, see Appendix I, p. 538.]

INTERNATIONAL TELEPHONE & TELEGRAPH CORP., 1971 U.S. INCOME TAXES PAID

	Amount	Percent of taxable income
The total U.S. taxable income for the year 1961 of ITT and its consolidated subsidiaries plus pooled companies owned by foreign subsidiaries of ITT was.....	\$240, 136, 000	
Of this amount--		
Foreign dividends were.....	114, 450, 000	
Other foreign source income was.....	24, 630, 000	
Thus foreign source income totaled.....	139, 080, 000	
U.S. source income was.....	101, 056, 000	
Thus total U.S. taxable income was.....	240, 136, 000	
Total U.S. income tax payable on above was.....	98, 682, 000	41.1
This tax liability was settled as follows:		
By credit for foreign income taxes paid.....	55, 377, 000	23.1
By investment tax credit.....	7, 185, 000	3.0
By payments in cash.....	36, 120, 000	15.0
Total U.S. income tax payable as above.....	98, 682, 000	41.1

Senator SYMINGTON. You made more money than ever before in your history?

Mr. GENEEN. That is right, and we work for it.

Senator SYMINGTON. I beg your pardon.

Mr. GENEEN. I said we work for it.

Senator SYMINGTON. Does that mean just because we didn't make as much we don't work as hard.

Mr. GENEEN. You work harder, sir. [Laughter.]

POLITICAL IMPACT OF MNC'S

Senator SYMINGTON. Now, there is a question whether multinational corporations have brought benefits to the international economy. They have been mixed blessings for many countries. But governments have not created a mechanism apparently for resolving grievances that arise over the operations of multinational corporations, grievances that can affect government to government relations as well as business-government concerns.

In the extreme, as with this case involving Chile, multinational corporations can be a source of political instability if they attempt to interfere in local politics.

Should not Congress, in your opinion, develop policies that will discourage the involvement of American multinational corporations in the political systems of the countries in which they are operating?

Mr. GENEEN. Senator, they could, but I think it is pretty paramount that all of us realize that you cannot enter into the local situations on other than a completely neutral basis. It would be completely counter-productive. There are many diverse elements in many governments, including our own, and any kind of a position is bound to be against your self-interest in the long term.

## OPIC GUARANTEE

Senator SYMINGTON. Why do you believe that the American taxpayer, through this semigovernment organization called OPIC, owes you and your company, because of your Chile operations, some \$97 million?

Mr. GENEEN. Senator, that would, in my opinion, go back to whatever the purposes were of encouraging American business to go into underdeveloped countries.

This may have to do with trading blocs in the future and it may have to do with the basic policy I referred to before of trying to maintain a certain type of democratic government in Chile but basically what we entered into was an insurance contract from the standpoint of the detail in which we have paid our premiums and I might point out which might be of interest to you I think, Senator, that every developed capital exporting country in the world has similar programs and, in fact, the OPIC insurance rates are somewhat higher than most of the other ones, and so this is a very normal set up from the standpoint of encouraging, you might say, commerce and trade of that country to move into these areas.

So, I think your real question, if you are talking from a government policy standpoint, is why is it desirable to have American industry go into these areas.

Senator SYMINGTON. No; that is not my question.

Mr. GENEEN. All right, sir.

Senator SYMINGTON. Nobody subsidized us when we ran my companies in this country. The theory of capitalism, as I understand it, is risk capital. If you risk capital in a foreign country why shouldn't you take the same risk as if you risk capital in this country. If you are subsidized by the government against possible loss, does not that follow my concept of capitalism.

You made \$450 million last year, a pretty good profit. Now you want another some \$97 million from the government. That would put you up around \$550 million. You are known as perhaps the most successful businessman in the conglomerate field. I don't see why the Government should put up this kind of money, just because things don't work out the way you hoped.

Mr. GENEEN. Senator, can I respond?

Senator SYMINGTON. Sure. I know a lot of people who go into investments in this country. Sometimes they work out, sometimes they don't. Another question: Regardless of your profits in these foreign countries, which you say come back here heavily, there are a lot of people out of work in this country, so the \$97 million might be interpreted as a double loss if the Government has to pay people who might be working in this country if this work were not being done elsewhere.

It is unfortunate in this particular situation, namely, that because of problems incident to your operations in Chile you want a \$97 million reimbursement guaranteed by the Government.

Mr. GENEEN. Senator, I am glad you raised that because I would like to answer that question.

I sense from some of the questions in the hearing this has been a concern. Let me point out you used some very important words when you were talking about your own activities and some other people in real estate, you said in this country.

Now, the OPIC insurance does not guarantee us against our own stupidity, it is not a guarantee to get our money back or get our interest out or anything else.

Senator SYMINGTON. Does it guarantee against our Government's stupidity?

Mr. GENEEN. It only guarantees us against Government actions. That is all it is guaranteeing us against basically. It is expropriation without being paid, possibly conversion of currency.

Senator SYMINGTON. If you were going to get \$97 million from the Government because of political action why would you want to put \$1 million in of your own?

Mr. GENEEN. That is another question I would like to come back to, that is another part of the question in this hearing.

I want to come back to OPIC. How we operate all over the world. I would say the bulk of our earnings, over half of them, come from the United States and are taxed under its laws and whatever questions are raised about our taxes are really under the laws of the United States.

#### INCENTIVE TO INVEST IN DEVELOPING COUNTRIES

The greatest bulk of that comes from what I would call the capital exporting and developed countries. These are countries which we have had long relationships with, going back for many years. They are very aware of, and operate with, multinational companies themselves. Everybody knows basically what the guide rules are, we do not have expropriations and problems of this kind and I know of no OPIC insurance that we have ever taken out in these areas, nor do I know of any occasions where we have had expropriations in what I would call the developed free world areas. We have had some in what have become Communist areas in past history.

Now, that is the reason that OPIC is basically intended to, as I understand the policy, to get people to make long-term investments in areas which are developing areas and which are subject to political risk. That is the question, not whether we can make money.

In other words, if we don't operate properly, we don't get paid, we don't get our money out.

Senator SYMINGTON. Are you saying that without OPIC insurance you would not have invested in Chile?

Mr. GENEEN. I think we would not have invested as much, Senator, and we might well have made other choices. I can assure you that

19—  
Senator SYMINGTON. How long has your company been in Chile?

#### LONG ITT PRESENCE IN CHILE

Mr. GENEEN. It has been in there for 40 years and I can say in 1963 we offered to sell the company to the Chilean Government, and I can say if it were clear we would not have been supported we might have done other things. But your question is, Senator, OPIC insurance is like fire insurance basically. It is an insurance against a particular kind of risk, political risk, in underdeveloped countries and the reason it must exist, if it exists at all, because if you go back to the whole question of aid, and foreign funds. I mean you might say U.S. aid funds going in there and your multilateral approach, is it better to do

some of this through private industry or do you want to do it all through the Government.

Now, there is a long history that says it is better in many ways to do certain things through private industry. Only private industry can train, show these people how to operate, and develop what I call a middle-income group such as we have grown the United States out of, and that is what private industry does.

If you want private industry to go in the returns are not such down there that you are going to go in on a long-term basis.

Senator SYMINGTON. I don't want private industry to go in on the basis that the U.S. Government pays if they lose.

Senator CHURCH. Just a moment. I hope we can get back to the subject of Chile. But I do think Senator Symington has raised one of the very important issues this subcommittee is going to have to look into very thoroughly.

Mr. GENEEN. I agree, Senator.

#### NEED TO OFFER \$1 MILLION TO CIA

Senator CHURCH. One thing that puzzles me is this: If you had an insurance policy that covered your loss in the event that the Chilean Government expropriated your property, why did you feel it necessary to go to the CIA and offer \$1 million to support a Presidential candidate in the election? After all, you were insured against expropriation.

Mr. GENEEN. Can I answer that, sir?

Senator CHURCH. Yes.

Mr. GENEEN. No. 1, we were insured for about two-thirds but, secondly, I don't think anybody can accuse us of trying to lean back on the OPIC insurance. We fought like hell to keep this company going and to get paid, and, let me tell you, any insurance policy is not an absorber of losses. All they can do is spread your loss out. The loss has to come back to us in the premium next year, so I think we were following what I would call consistent good business in fighting to preserve and get back the values that we had in that company regardless of our insurance.

How did we carry on negotiations in good faith, we may not have had great belief it was going to come out—as I said, our experience has been to the contrary—but we did.

Senator CHURCH. Senator Symington has one further question to complete his questions.

Mr. GENEEN. Yes, sir, that is quite all right.

Senator CHURCH. And then we will come back to you.

Senator CASE. On this same point, I take it, because I want to develop further the question on the amount of the claim.

Senator CHURCH. Senator Symington.

#### TIME ON WASHINGTON PREOCCUPATION WITH MONEY

Senator SYMINGTON. Thank you, Mr. Chairman. I would read into the record comments that worry me from a responsible newspaperman, in the last issue of Time.

Hugh Sidey said last week:

There were days when young and old used to argue the great national issues around the dinner table, when men of means thought that money came second or even third. Sadly that is rarely the case now.

On the party circuit in Washington the talk too often does not center on the philosophy and problems of government but on how to turn a tidy profit in real estate or hot stock.

Look quick. The old bald American eagle may soon be clutching dollar signs instead of the arrows and the olive branch.

#### POLICIES PURSUED BY SOME CORPORATIONS MAY CONTRIBUTE TO NATIONALISM AND ANTI-AMERICANISM

Although multinational corporations are neither a new development nor an unknown phenomenon in the economic history of this hemisphere it would seem that evidence is mounting that the policies pursued by some corporations are a major contributing factor to the increasing nationalism and anti-Americanism that seem to be accelerating through this hemisphere.

Does not, in your opinion, this phenomenon suggest that Congress should examine the adequacy of the present system to cope with the excesses that this record reveals, the threat to the national sovereignty that the great economic power of multinational corporations and their admitted willingness to use that power poses?

Mr. GENEEN. Senator, I have never felt that we had any power of the type you speak of, and I think the record shows that in every case we have pursued our problems with the government and the government has made completely independent decisions, not entirely consistent perhaps with what we might have desired.

Senator SYMINGTON. But wouldn't you say the offer of a million dollars in this particular case is an exercise of power?

Mr. GENEEN. I am willing to talk about that in full when we get there.

Senator SYMINGTON. I have used my time, Mr. Chairman, and appreciate the courtesy of the Chair.

Senator CHURCH. Senator Case.

Senator CASE. Yes, sir.

On the question which you referred to indirectly—

Mr. GENEEN. Right.

Senator CASE [continuing]. In answer to Senator Symington—

Mr. GENEEN. Right.

Senator CASE [continuing]. About the amount of your claim through OPIC, you said only a part of your investment was covered by the insurance.

Mr. GENEEN. That is correct, sir.

#### PARTIAL OPIC GUARANTEE

Senator CASE. And that is because OPIC began operating after some of your investments had been made, is that correct?

Mr. GENEEN. That is correct, sir.

Senator CASE. What is the amount again, it is \$150 million—some.

Mr. GENEEN. \$152 million, I think is the total claim and I am not sure of the exact figure on OPIC, it is about \$92 million or \$94 million, something like that, and our net difference is about \$60 million which we had written off. And it may be unimportant but I might add that



we have a claim for \$50 million from our Cuban expropriation which is also gathering dust.

Senator CASE. That is of interest, I am sure.

Mr. GENEEN. Yes.

Senator CASE. And, of course a terribly important matter to you.

Mr. GENEEN. Yes.

Senator CASE. Now, that investment was made before OPIC came into existence—

Mr. GENEEN. That is right.

#### PRE-OPIC INVESTMENT

Senator CASE [continuing]. That represents what kind of investment? When was it made and from whom did you make a purchase?

Mr. GENEEN. I think from what I remember, glancing through the testimony, Senator, that you have asked for complete details, somebody did, of how we required the company back in, I think it would be about, 1930, and how we paid for it but all I am saying is my memory is that we paid for it in cash, and the balance that is in the book value there, is that which we have invested or reinvested of our own earnings under Chilean rules. I think it has been brought out that we have three—our entire company is run by Chileans, No. 1, we have three members of the government on it.

Senator CASE. Mr. Geneen, will you please wait a minute?

Mr. GENEEN. Sure.

Senator CASE. I just asked you about the first investments made before the first OPIC. You paid for it largely in cash around 1930.

Mr. GENEEN. As far as I know, yes, sir.

Senator CASE. The rest of the second point that I am going to ask you about—

Mr. GENEEN. There may have been some reinvested earnings before OPIC.

Senator CASE. Before that time, what was that date before OPIC came into existence?

Mr. GENEEN. I think it is about 1963 or 1964, that is my memory.

Senator CASE. I see.

Well, for the record would you put in whatever the facts were?

Mr. GENEEN. We will get the facts for you.

Senator CASE. So it is the investments made since 1963 that you are now making a claim against OPIC for?

Mr. GENEEN. That is correct.

Senator CASE. And they were not made in cash by the company in U.S. dollars, is that correct?

Mr. GENEEN. I believe it has been made partly in cash, partly in loans, partly in reinvested earnings, but again I will have to get you the detail, Senator.

#### REINVESTED EARNINGS

Senator CASE. How much of this, broadly speaking, represented investments of Chilean company earnings not remitted to the United States?

Mr. GENEEN. Senator, I will have to get you the correct figure. I can only say as part of our 1967 program we contracted with Chile to reinvest two-thirds of our earnings.

Senator CASE. Right. And roughly how much of that?

Mr. GENEEN. Senator, I would be misleading if I would try to guess. I will get you the exact figures and get them to you. [See page 221 for data.]

Senator CASE. Could we have this today?

Mr. GENEEN. I will do my best.

Senator CASE. Because I have asked you this before.

Mr. GENEEN. I will see if we can, sir.

Senator CASE. Was any of the post-OPIC investment of the company in U.S. dollars and how much?

Mr. GENEEN. I would have to check that, sir, because some of our investment in Chile is in the form of equipment which comes out of the European area and which may have gone directly—not basically U.S. dollars but became liabilities of our companies overseas—I should say not liabilities but accounts receivable of, and I will have to check the answer for you. But the question is what portion of the amount after OPIC was represented by money going in as U.S. dollars; I think contra to that is what proportion came out of there as U.S. dollars in the same period, right?

Senator CASE. What I am really trying to get at——

Mr. GENEEN. No; I understand, sir.

Senator CASE [continuing.] Is to understand what happened in a company like yours.

Mr. GENEEN. Cash flow, in a matter like this, on ITT is——

Senator CASE. And we will also see after we get the figures further how much income tax is paid on the money shown as reinvested funds.

Mr. GENEEN. Good; we will be glad to do that.

Senator CASE. That is the whole picture I would like to get.

Senator CHURCH. Senator Case, I am going to turn next to Senator Percy.

#### ITT'S FEDERAL INCOME TAX

But I do think one of the issues Senator Symington raised ought to be made clear.

As I understood your testimony, Mr. Geneen, you said ITT profits last year were around \$450 million.

Mr. GENEEN. That is approximately.

Senator CHURCH. You are an accountant, are you not?

Mr. GENEEN. I was.

Senator CHURCH. And you became president. So you know that the profit was around \$450 million. Can you tell us approximately what your Federal income tax was, without giving us the exact figure?

Mr. GENEEN. No, I would have to get the figures because you are asking what the U.S. Federal income tax was, I take it, and our figures are usually reported as our total income taxes.

Senator CHURCH. Do you know what the amount was, the Federal income tax?

Mr. GENEEN. I want to make clear our Federal income tax does not relate to the tax we paid overseas.

Senator CHURCH. I know that, Mr. Geneen.

Mr. GENEEN. OK. I will have to get the figures.

Senator CHURCH. You can credit your taxes overseas. I want to know how much you paid the Government. You had \$450 million in profits, that is, wherever you paid taxes overseas and here?

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Mr. GENEEN. That is correct.

Senator CHURCH. And isn't it true you paid somewhere around \$2 million to the Federal Government in taxes?

Mr. GENEEN. I think that is too low.

Senator CHURCH. I think it is too low, too, but isn't that what you paid?

Mr. GENEEN. I think it is a low estimate. Let me get you the exact figure.

Senator CHURCH. All right.

Senator PERCY. Mr. Chairman, we have followed a procedure of identifying our relationships with our witnesses before, and I can testify to the fact that Mr. Geneen was not only an accountant but a very good one. We served together as corporate officers of Bell & Howell 27 years ago, and Mr. Geneen served as vice president/comptroller. We lost him to Jones & Laughlin Steel Corp., and regretted it because we looked upon him as a very competent and able executive, and nothing since has changed my mind about that.

However, Mr. Geneen would know that my constitutional responsibility is quite separate. I was deeply concerned when I read the Anderson Papers, and I agreed to serve on this committee to help determine by conscientious study the impact of multinational corporations on American foreign policy.

#### BUDGETING MILLION DOLLAR FUND

So I would like to get back to what really did happen in these transactions and to better understand, Mr. Geneen, how you intended to handle this internally.

When the money was offered through Mr. Neal in September, did you intend to take this as a normal business expense, deducting it from the company's income tax payment for the year in which the expense was incurred? Had you determined in your mind how you would handle it?

Mr. GENEEN. Can I answer that, Senator, because it might help to clear up a lot of things I hear.

No, I, we did not have a plan, that has been consistent in my testimony throughout. We hoped the Government would have a plan, and we felt that we had something that we could offer that might be helpful to such a plan. I don't know what that plan would be and would not know unless I sat down and somehow we became part of a group of people or a group of private enterprise and the Government with certain purposes ahead of us in which case we might know what we were going to do.

If private industry was to be involved it would probably call for some kind of an operating approach, whether it was building houses or whatever they decided to do as part of an answer. It might only have involved some kind of a creditor's committee type thing, in which case what the money would go for, and I make the point that the million dollars is not the issue—the million dollars was basically to get attention, show we were serious, and indicate that we were willing to advance more funds to, you might say, safeguard the large amounts we had if we had a plan that made any sense.

Senator PERCY. But as chief executive officer—

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Mr. GENEEN. Then I come back to the point, if we were going to make an investment of the corporation of some kind in common with other people in industry, to do something, it would be carried on our books as an asset, I take it.

If it was to be some kind of a transient part of a loan it would be a receivable. We had no way of knowing what it would be until we had a plan.

Senator PERCY. Well, if the money were to be taken out of capital and put on your books as an investment—

Mr. GENEEN. That is correct.

Senator PERCY [continuing]. Would it then have been necessary to have taken this transaction to the board of directors for their approval?

Mr. GENEEN. Oh, I think it would have been. It is a rather unusual area.

#### MATTER NEVER PRESENTED TO BOARD

Senator PERCY. Was, in fact, this matter ever presented formally to the board?

Mr. GENEEN. No, it was not presented to the board formally. I spoke to Mr. McCone, I think he has testified. I think anything I took to the board would be based on something that was tangible and it would obviously have to be demonstrable to have been in the interests of the stockholders or they could not vote for it and, in turn, there may have been other considerations that they would have even rejected it then.

Senator PERCY. But if the Government had accepted your offer, then you would have taken it to the board?

Mr. GENEEN. I come back to my point there was no real offer other than to go with whatever a Government plan was, so if we came up with a Government plan that involved maybe a lot more than that and other people, that is what we would take to our board.

Senator PERCY. In the United States, as you well know, it is illegal to make a political contribution. Is it illegal to make a political contribution in Chile?

Mr. GENEEN. I understand it is not just from reading the testimony but we did not make a political contribution.

#### LEGITIMACY OF POLITICAL CONTRIBUTION

Senator PERCY. Do you feel that it is a legitimate action of a multinational corporation, such as ITT, to make a political contribution directly or indirectly in a domestic election in a host country?

Mr. GENEEN. We have not done it as a matter of policy and I raised the question only in terms of, as I said, in my reaction to Mr. Broe and it died there and I said I further thought I might have rejected it myself. If we had done that in theory it would have been within the U.S. policy. As it turned out it was not and it died then.

Senator PERCY. Did you discuss this with the Government and suggest that there might be the possibility of your making such a contribution which you felt was illegal for an American corporation to make, but which you felt might be legal if it were done as part of a Government plan?

Mr. GENEEN. I don't think—let me say I am recalling what I think I said under a similar set of circumstances but I think our major con-

cern was more one of what was happening and what appeared to be a reversal of a long term U.S. policy. And I think our main thought would have been, as I expressed it, and the only way I can construe it, can we help in any way in this matter.

I don't think there was any question involved of candidates or anything else in the real primary sense of the problem.

Senator PERCY. This morning you testified, Mr. Geneen, if I recall correctly, that ITT property had been seized, expropriated, in seven or eight other countries.

Mr. GENEEN. Seven prior to Chile.

Senator PERCY. Have you ever made a political contribution as a company to a candidate or a party in any of those countries?

Mr. GENEEN. Absolutely not.

Senator PERCY. It has been said that ITT representatives made efforts to bolster El Mercurio, the Chilean newspaper, by increasing ITT advertising in it, and that ITT sought to have USIA distribute El Mercurio editorials to other newspapers in Latin America.

Would you tell us what you think of the propriety of an American company attempting to influence the editorial policy of Latin American papers, in this case a Chilean paper, and make any other comments that you would like to make about this matter which has been discussed at great length in these hearings?

Mr. GENEEN. I am aware of the discussion. I don't think it is appropriate and I think in my statement I referred to one exception and I think that was the case where apparently our people went over to USIS.

Senator PERCY. So that the suggestions made to you by your representative—

Mr. GENEEN. They were not made.

Senator PERCY. You feel they were not appropriate.

Mr. GENEEN. They were not made, but I understand they were turned down, it came out in the testimony and I gather somebody did go over to the USIS and that was the exception I referred to in my statement. That was the only place I know where we took any action.

Senator PERCY. In either of these offers of assistance or contributions was it in your mind that—

Mr. GENEEN. Sorry, Senator, I didn't hear your question. They asked me to get the mike.

Senator PERCY. Was it in your mind that any part of the proposed offers would be made to newspapers to keep them going if they were anti-Allende or to keep them bolstered up if they were failing and might go out of business?

Mr. GENEEN. Which contributions are you talking about, the so-called advertising?

Senator PERCY. The first offer that was made, and then the second offer that was made.

Mr. GENEEN. Wait a minute, I am a little mixed up. Are you talking about Broe and Neal?

Senator PERCY. Yes.

Mr. GENEEN. No; nothing to do with them at all.

Senator PERCY. At no time did you have that in mind?

Mr. GENEEN. No, no, sir.

Senator PERCY. If an ITT contribution of \$1 million were made through government channels to support—

Mr. GENEEN. Let me say in response to Broe I am assuming what I have already conjectured to be my reaction because I don't remember the specific conversation.

#### ATTEMPT TO INFLUENCE CHILEAN CONGRESS

Senator PERCY. If a contribution of \$1 million were made through government channels to support the Alessandri election effort between the popular election and the congressional election in 1970, it might be assumed that in making such an offer it was intended to influence certain members of the Chilean Congress?

Was this your intention?

Mr. GENEEN. No; I think I—I am conjecturing as we have said here—I think my concern here was to see the country go Marxist, Communist, and with all the implications it carried with that to our investment and a reversal of what would appear to us to have been at least a 14-year policy in my time of what the U.S. policy was in that area.

Now I don't think we necessarily knew fully but we all had a feeling of what the U.S. policy was and that was: namely, to maintain a democratic regime in Chile, and I think if you look at the aid funds, which this committee must be aware of, and other things that took place and, as I say, actions that took place occasionally as in 1954, this was clearly the policy or that it appeared to be.

Now, all of a sudden what would appear to be a veering of policy was that we were forecasting that it was going to go Marxist and essentially on a minority vote, and the government's policy was that it was going to be strictly noninterventionist, which is perfectly their policy, but it is somewhat different than business had ever heard before and I think my reaction was and conjecture as to it was can we help, and his answer is no.

I think the statement of Mr. Broe is he said, "We are not supporting any candidate." I think the key issue is we are not taking any position, Marxist or non-Marxist.

Senator PERCY. Were you disappointed that his answer was no and there was no such government plan?

Mr. GENEEN. I would have to be disappointed for the impact it was going to have on us and for all other people who had investments in Chile. But I think it is fair to say we accepted it and I can tell you, if it has not come out in the testimony, what we did, we went back and we bolstered up our operations and got our service up so there would be no excuse for them to take us over. We just battened down the hatches and got ready to ride it out, and that is all we could do.

#### U.S. POLITICAL INTERVENTION IN OTHER COUNTRIES

Senator PERCY. Because you operate in so many countries abroad and deal with so many governments, in the light of your experience, do you feel—and would you as an individual recommend—that the U.S. Government intervene in any country that would go against its constitutional process?

Mr. GENEEN. Senator, I have a lot of difficulty in dealing with words like "intervene" in the abstract. I think you have to apply it to a literal situation, and in Chile, if I can go back to it, I would like to make a

point: The problem in Chile is very unique in our experience and we never had a problem like it. But coming back to the point whatever the policy was of the United States in the last 25 years, and particularly the period I have been in, which would be the last, say, 11 years up to that point of time, and 14 now, was a policy that we thought might be continued, and I don't know whether you would call that intervention or what you would call it.

We were pouring aid funds in here and I point out that in 1964 we put, I think from the records, about \$130 million of that aid fund into Chile and it went on up to \$260 million annually. And in 1970 on we put in \$30 million so there is a difference of some kind going on in here, a difference in policy, and so you are saying basically this was the thing that was concerning us, was this a change in policy.

Would you call the last intervention or not, I don't know. It is a constructive type of intervention that started with the Marshall Plan, went through the Alliance for Progress where we are really saying they were helping them, were doing these things to maintain certain objectives that the United States had a policy, but I am not sure you would call those things intervention.

I think John McCone made a very simple but obvious comment in the testimony I read. He said couldn't we have gone over and just said, "Gentlemen, you are committing political suicide."

You remember I said in the statement that 63 percent of the Chilean people voted in that election against going Marxist and 3 weeks ago something over 55 percent voted against it, and you are saying is that intervention?

I don't know in my own mind, I think we could talk as friends and helpfully to people that we had done this much with and for, so when you come back to intervention my real question is could we have continued the policies we had, whatever they were. I don't know if that is intervention because, in my opinion, if we could have continued those for six more years, we were all getting out of Chile, we had made a deal to sell our companies, the copper companies had made partnership deals and the Frei formula was to get us out but do it on a regularized basis. But everybody was reimbursed for their expropriations and doing a darned good job for Chile, much better than what I read in the paper to date.

That is what was at stake—whatever was considered as whatever the U.S. policy was, as against what is was going to become; and this was very difficult to ascertain.

#### EFFECT OF ANDERSON REVELATIONS

It is a long speech but it answers the question.

Senator PERCY. Taking into account what has transpired—

Mr. GENEEN. Yes, sir.

Senator PERCY [continuing]. The revelation of ITT internal memoranda, by Jack Anderson and their worldwide distribution, would you conclude now that the revelation of all of this material has in net effect strengthened Allende's hand considerably and made the Marxist government in Chile stronger than it would have been if all of this had not come out?

Mr. GENEEN. Senator, I can only say in my opinion two things: Yes, it has helped him, and I am certain that we have to run a rather

precarious role even here because it will help him to a degree, but I am not objecting to any kind of disclosure of anything you have been asking, you have been very kind when you needed an executive session to do it.

The other side to it is though obviously these were internal memoranda, they were not released by us for publication and whatever action they had by being released was certainly not our problem. Certainly they were also distorted. I think you might say this is the natural reaction of trying to get newsworthy type material.

But I think a careful reading of the original reports as they appeared in the paper does not correspond to some of the very fundamental things we are saying.

I said in my statement we have never had anything to do with an armed coup, never, and I think the committee would probably support me on this after they have gone through the record and I hope they do. But, as I read those columns, the original three columns, 11 times accused us of supporting an armed coup. That is not true. That is a combination of problems and I can't speak for the fact that we couldn't control them.

Senator PERCY. Thank you.

#### GOVERNMENT BAILOUT OF OPIC

I would like to respond to a point made by Senator Symington. I think the battle of OPIC has to be waged here. OPIC legislation was authorized in this committee, it is the law of the land.

Senator Javits, a valued member of this committee, is one of its proponents. So I don't think we should question the right of an American corporation to take advantage of a law that is on the books. And I would ask, Mr. Chairman, unanimous consent that the hearing be held open at this point so that the chairman or the President of OPIC could insert a statement responding to the comments that have been made that the American taxpayer would be paying this cost. It is my understanding of an insurance program that those who are insured pay premiums. We have had testimony before that ITT has paid \$10 million in premiums. It is obvious they are going to get a lot more back if this claim of \$97 million is valid. But if your house burns down you generally get back more than you put in in premiums and that is the same principle that we are following here.

Senator SYMINGTON. If the Senator will yield—

Senator PERCY. I think it has been shown why the company has taken advantage of a law on the books to protect its assets. The question before us that is so germane is did the company in any way engage in an activity which then distorted American foreign policy or has injured us?

But I would be happy to yield to Senator Symington for his response.

Senator SYMINGTON. Thank you. So far as I know, most insurance companies do not ask for government guarantees. At the time OPIC came up for discussion I couldn't understand why, if it all was such a good idea, the American taxpayer had to participate through the guarantees of his government.

The insurance business is one of the most prosperous businesses in the United States. I was told by Counsel that the estimated taxes were



around a million dollars. It seems to me we ought to get that information on the record.

#### FAILURE TO RECALL TAXES PAID

Senator CHURCH. Incidentally, that does puzzle me. You have recited exact percentages on the Chilean vote, exact amounts in the foreign aid to Chile, you have a wonderful memory, yet you don't recall how much Federal tax your company paid.

Mr. GENEEN. Let me say it means I have been spending so much time at these hearings that I didn't have the time, but I will get it for you.

Senator CHURCH. I want to say about OPIC, that I understand OPIC is asking the Congress for an appropriation of \$75 million this year to replenish their insurance fund. One of the things we want to examine is whether this really is an insurance operation or whether it is in fact a helpful subsidizing operation in the guise of an insurance program. But we can't do that today.

#### FOREIGN RELATIONS COMMITTEE ATTITUDE TO OPIC

Senator SYMINGTON. Mr. Chairman, one other point.

This committee, if I may say to my able friend from Illinois, did not approve the OPIC legislation. It had jurisdiction over that legislation it is true, but it was adopted on the floor when I was absent and only after the committee rejected it.

Senator CHURCH. Yes.

Very well, let's proceed now with the questions concerning Chile, let's get back on the track.

Senator CASE, you have a question here.

Senator CASE. Yes, I have.

#### CHANGE IN U.S. POLICY TOWARD CHILE

I am interested, Mr. Geneen, in your statement that in July, you were concerned about what seemed to be a change in longstanding American policy.

Mr. GENEEN. In Chile.

Senator CASE. In Chile.

Now, just what did you mean by that statement? I took it—just to lay it out as I understand it so far—you point out quite correctly that we had spent something like \$1.4 billion in foreign aid for Chile. And you suggest that aid was for the purpose of maintaining a Latin American form of democracy as opposed to communism in Chile.

Mr. GENEEN. Correct.

Senator CASE. And yet I think you suggest that because of a reduced American aid program in 1970 you thought there had been a change in American policy.

What are you talking about when you say a change in American policy? You don't mean we were now favoring a takeover by a Communist government?

Mr. GENEEN. No. Let me put the thing in context, sir, as I think I see it.

Going back over the history of this, and going back at least to 1964,

we were putting in aid funds at the rate of about \$130 million at that time.

Senator CASE. Well, the table is in the book.

Mr. GENEEN. It went on to \$260 million and then it dropped down in 1969 to about \$80 or \$90 million and then down in 1970 to about \$30 million.

Senator CASE. Is that what you were unhappy about?

Mr. GENEEN. No, no, but along with that there was a general feeling the United States was doing this as part of an overall policy which you just referred to, to try to keep a democratic regime in a stable government as much as has been our basic policies in Latin America with the Alliance for Progress. In fact, I think Chile was supposed to be the showplace of democratic example in this case.

Now, I am aware, without knowing any details, that the Government seemed to take a very broad interest in the 1964 election, and it would seem like that with a majority of Chilean people, 63 percent, voting for an on-Marxist approach that it seemed very different that all of a sudden we were going to say in effect we could see them dividing their majority, we could see this going down the drain in, you might say, a Marxist approach with all the problems and as against 20 years of history the other way our position is we won't touch it.

#### JULY MEETING WITH MR. BROE

Senator CASE. I don't understand.

Mr. GENEEN. Yes.

Senator CASE. I am talking now about the meeting that you had with Mr. Merriam in July.

Mr. GENEEN. Mr. Merriam? Mr. Merriam? Mr. Broe.

Senator CASE. Mr. Broe in July.

Mr. GENEEN. He is telling me what was happening.

Senator CASE. You have said you were concerned and expressed your concern.

Mr. GENEEN. Yes.

Senator CASE. You felt a concern about what seemed at that time a change in American policy.

Mr. GENEEN. I think I was reacting to the shock of such a change. That is all I was really saying.

Senator CASE. You don't mean it was a change in American policy then as I understood you to say but rather the prospect of a Communist electoral victory?

Mr. GENEEN. Yes, but within the framework of an attitude that was somewhat different than somehow we had felt was the policy in the past because I don't think that the policy in the past, this is conjecture on my part, perhaps, would normally have stood aside while a 63 percent majority went the other way with a minority of about a third.

Senator CASE. What would we have done?

Mr. GENEEN. I don't know. All I am saying is it didn't happen in the previous number of periods and it did happen right then.

Senator CASE. But I am not sure that I understand yet what you mean when you say it seemed to be a change in American policy.

## EARLIER U.S. POLICY

Mr. GENEEN. Well, I was asked—I was asked before about intervention and I said my only definition of intervention has to be what we were doing as a policy as opposed to what we were now doing.

Senator CASE. What we had been doing was what?

Mr. GENEEN. What we had been doing had been to maintain a Chilean democracy down there.

Senator CASE. But how, how?

Mr. GENEEN. I don't know. I would have to assume whatever the Government was doing.

Senator CASE. You don't mean we maintained the Chilean democracy by force?

Mr. GENEEN. I don't know. It just resulted that way, Senator.

Senator CASE. Therefore, because it was changing or beginning to change you thought we had changed our policy?

Mr. GENEEN. I had a feeling we might.

Senator CASE. And, therefore, you thought you ought to do something to sort of buck us up?

Mr. GENEEN. No; I was worried about what was going to happen.

Senator CASE. Of course, you were worried.

Mr. GENEEN. Yes.

Senator CASE. But you thought the U.S. Government ought to be bucked up, is that right?

Mr. GENEEN. My question, was this basically going to be the Government's policy and it was and that is where we ended.

Senator CASE. Well, what was going to be its policy, to let things go?

Mr. GENEEN. Yes.

Senator CASE. What had we done differently?

Mr. GENEEN. I don't know. It never happened before, sir, and not with 63 percent of the majority either.

Senator CASE. If it never happened before, how could we be doing something different? This is what I am getting at. I can understand your being unhappy. I can understand about your investment that your company had in Chile and the prospect under a new regime it might be in difficulty, I can understand all that, but what I don't understand is your statement about a change in American policy, nor do I understand what Mr. McCone was talking about when he is reported to have said to you, "I sure was disappointed." You say that in your statement.

Mr. GENEEN. No; I said he was disappointed, is my recollection.

## DEFEAT OF AMERICAN POLICY

Senator CASE. He was disappointed, in your recollection since it represents a reversal of many years standing. Does that mean for or of?

Mr. GENEEN. For, I guess.

Senator CASE. In other words, this was a defeat of American policy?

Mr. GENEEN. That is correct.

Senator CASE. Rather than a change.

Mr. GENEEN. Defeat.

Senator CASE. That is what you understood him to mean?

Mr. GENEEN. That is correct.

Senator CASE. I don't understand what you said before about your own thought that there had been a change in American policy.

Mr. GENEEN. Senator, there in the 1964 period the Government was vitally interested in how the election came out.

Senator CASE. In 1964, whose election was that?

Mr. GENEEN. I don't remember the parties but Frei wound up as the president.

Senator CASE. Yes.

Mr. GENEEN. And I don't have any ideas on the Government policy but it seemed to me there was a general impression between aid funds and other funds and other activities, without having any detail, that there was a basic strength there to see that it worked along in the direction that we hoped it would.

Senator CASE. And you thought that this had changed because the prospects of the election of a Marxist president seemed imminent. You thought American policy had changed?

Mr. GENEEN. On a minority, sir.

Senator CASE. Yes, I know. But we are still talking about the change in American policy.

Mr. GENEEN. Yes, it struck me that way, sir.

Senator CASE. And you thought that between 1964 and then in 1970 American policy had changed?

Mr. GENEEN. Yes, I had a feeling—

Senator CASE. That it wanted—

Mr. GENEEN. I beg pardon?

Senator CASE. That the U.S. Government wanted a Communist government in Chile.

Mr. GENEEN. No, I thought probably—the word was back before, what is intervention, the degree we were going to be interested in doing anything to help the Chileans help themselves must have been changed.

Senator CASE. You felt then we had intervened in 1964 and were not intervening now?

#### ROLE OF UNITED STATES IN 1964 ELECTION

Mr. GENEEN. Well, the word "intervene" always puzzles me because I say aid.

Senator CASE. But you used it.

Mr. GENEEN. I understand it but aid is intervening, I think it has to be defined.

Senator CASE. That gets back to my question. Is it because there was a smaller aid program provided in fiscal year 1970?

Mr. GENEEN. In part.

Senator CASE. Did you know it at that time?

Mr. GENEEN. In the documents.

Senator CASE. I know, but did you know at the time?

Mr. GENEEN. I had a feeling this was an entirely different policy if you wanted than the one I knew at the time.

Senator CASE. I am just trying to figure out why, that is all, Mr. Chairman.

Mr. GENEEN. I think it is already in the testimony that Broe stated that the government was not going to take any position of any kind and I am not sure that that is consistent with the past, I don't have any details.

Senator CASE. You are not sure?

Mr. GENEEN. No; I am not.

Senator CASE. But you felt it was inconsistent?

Mr. GENEEN. Well, I thought the fact that there was a two-thirds majority voting against communism and we were going to stand by, take no action and watch it go down the Marxist approach on a minority, represented something different than what I had thought was our policy in the past.

Senator CASE. At the time of your meeting with Mr. Broe, that two-thirds election had not happened. That took place in September?

Mr. GENEEN. That is correct.

Senator CASE. How did that make you think in July, that what was going to happen in September would show that our policy had changed?

Mr. GENEEN. Well, what I remember of my conversation was that Mr. Allende was gaining, Mr. Alessandri was falling behind, and it was perfectly obvious that the split vote was what was causing the problem. I don't think there is any question about that.

Senator CHURCH. All that I can understand out of this, Senator, is—

Senator CASE. I will not press it further at the moment.

Senator CHURCH. In 1964, the policy of the U.S. Government was to support Mr. Frei. When Broe said that it was not the policy of the Government, in 1970, to support any presidential candidate, this was taken as a change of policy.

Isn't that what you mean?

Mr. GENEEN. Well, I felt the whole approach was a change in policy, Senator.

Senator CHURCH. Yes.

Mr. GENEEN. And I think that was my reaction because we had been, let me say we had been there a long time with a great deal of investments trying to maintain a democratic majority down there and they had a democratic majority.

Senator CHURCH. When Mr. Broe said to you that it is not the Government's policy to support any presidential candidate in this election, it was then you thought there was a change in U.S. policy?

Mr. GENEEN. I don't recall when this was concluded. I don't recall what my reaction was but it seemed to me, suddenly strange to me, we were suddenly doing something nonsupportive, if that is the way to do it. I think that is the way the question came out.

Senator CHURCH. I would like to get back to the questioning—

#### SUPPORT FOR DEMOCRATIC GOVERNMENTS

Senator FULBRIGHT. Could I get in a question?

Mr. GENEEN. I beg pardon, sir?

Senator FULBRIGHT. You keep referring to our program of supporting democratic countries. The principal recipients of our aid are not democratic, are they? You would not consider Greece a democratic country, would you?

Mr. GENEEN. Senator, I am a little lost on your question. I am sorry.

Senator FULBRIGHT. You have said several times that our policy had been to support, foster, promote, and prolong democratic governments.

Did you say that?

Mr. GENEEN. Well, I was thinking primarily of Latin America and Chile when I spoke.

Senator FULBRIGHT. Only there?

Mr. GENEEN. Well, I am more or less speaking in the context of Chile.

Senator FULBRIGHT. Would you consider Brazil a democratic country? [Laughter.]

It is the largest recipient of our aid, isn't it?

Mr. GENEEN. Well, Senator, I suppose you would have to add if you want to get into the background of this, democratic and friendly, and maybe put "or" in there.

Senator FULBRIGHT. What you really meant is non-Communist, I guess. Anything but a Communist. If they are Fascists it is perfectly all right. Is that correct?

Mr. GENEEN. Well, I don't want to get into an area that is not my background, Senator.

Senator FULBRIGHT. You made a statement a moment ago leaving the impression that all we are interested in are nice democratic countries like our own, didn't you?

Mr. GENEEN. Well, I have a little problem with it, Senator, I was thinking—

Senator FULBRIGHT. I have great problems.

Mr. GENEEN. I was thinking of Chile and in terms of Latin America.

#### AID PROGRAM A MISTAKE

Senator FULBRIGHT. I have a great problem because what you are demonstrating—and I welcome it—is that this aid program has been a great mistake since the Marshall Plan. I hope Congress, with your assistance here, will realize that and stop throwing money away for futile objectives like they have in this case. You have demonstrated my point very well. It is just an extra dividend you furnished us. [Laughter.]

Mr. GENEEN. Well, Senator, I would like to stay out of areas that I should stay out of.

Senator FULBRIGHT. It is quite all right.

Mr. GENEEN. No, I just wanted to say—

Senator FULBRIGHT. You are a taxpayer, although a small one. [Laughter.]

Mr. GENEEN. He says I am not.

Senator FULBRIGHT. It is your tax money that is being wasted on these aid programs. Whatever you may think of OPIC, there is no doubt about the aid program being a tax program. I have just sent in my tax and I don't like it a bit when I realize what is being done with it. I don't think you should, either.

#### BROE APPROACHED TO PREVENT CHANGE OF POLICY

But the issue raised by Mr. Case is very significant. You felt, if I understand correctly, that the Government was changing its policy. You were hoping to persuade them not to, in this case. I gathered one of the motives why you approached Mr. Broe was you hoped that they wouldn't change their policy. Isn't that correct?

Mr. GENEEN. Well, Senator, I might have hoped to have changed it, that was your thought, but I think it was expressed more as I would conjecture it in the area of an offer of help if it was within the Government policy.

Senator FULBRIGHT. Yes.

Mr. GENEEN. When it came back that it wasn't, that was the end of that, frankly.

Senator FULBRIGHT. You said that you did not have a plan for Chile, and I asked Mr. Broe very specifically, the other day, who made the initial approach, who suggested both the meeting between a CIA agent and Mr. Geneen, and who did anything about it. He said Mr. McCone did. I asked Mr. Broe, "Did you make a suggestion to do it or not? What was suggested, such as it was." You have already gone over it, about exploring the possibility of putting money into the campaign. And the idea came from Mr. McCone.

Do you deny that?

Mr. GENEEN. I certainly do, sir.

Mr. McCone was unaware, as he has said, that I had even had such a conversation, I had not recalled it, I certainly didn't even anticipate it or discuss it with anybody.

Senator FULBRIGHT. The initiative for a meeting to discuss whatever your plan was or your ideas came from Mr. McCone. In other words, he approached the CIA. The CIA didn't approach you and say, "Have you got any idea," is that right?

Mr. GENEEN. Let me clarify something, Senator.

The meeting with the CIA was set up for me to get information and that is all it was set up for. That is all Mr. McCone had in mind and, frankly, that is all I had in mind. And I am just saying that I do not recall the subject matter that Mr. Broe did. But if I did, it was out of a reaction within the conversation and it died there.

Now that has nothing to do with Mr. McCone and I want to make that very clear.

Senator FULBRIGHT. I want to ask you a few questions. You say you have been expropriated in eight countries?

Mr. GENEEN. That is correct, including Chile.

Senator FULBRIGHT. Without compensation?

Mr. GENEEN. That is correct.

Senator FULBRIGHT. First National City Bank testified that it had a \$3 million investment, book value, and they were paid \$3 million after negotiations. Why would Chile discriminate against you but not to the First National City Bank of New York?

Mr. GENEEN. I think, No. 1, the difference between \$3 million and \$150 million is very large and I am going to say they don't look for any gains from us whereas the favor of the international banks might be very valuable to them in the future, that is my guess. --

Senator FULBRIGHT. Is it because of the nature of a public utility? They have always been fair game for expropriation.

Mr. GENEEN. I agree with you.

Senator FULBRIGHT. Is that right?

Mr. GENEEN. I agree with you and our record is we have sold out in every country and in, fact, in Chile you may not be aware of this, Senator, we had signed an agreement with the Frei government in

1967 to sell our company to them and were in the process of working it out.

Senator FULBRIGHT. What held it up?

Mr. GENEEN. Nothing held it up, sir. They expropriated us.

#### BOOK VALUE OF CHILTELCO

Senator FULBRIGHT. What is the book value of your company?

Mr. GENEEN. \$152 million.

Senator FULBRIGHT. Book value?

Mr. GENEEN. That is book value, sir, and I think it is book value brought out to the committee that is very heavily controlled by the Chilean Government.

Senator FULBRIGHT. That is the overall value of it?

Mr. GENEEN. No; book equity.

Senator FULBRIGHT. Overall book value?

Mr. GENEEN. That is correct.

Senator FULBRIGHT. Do you own 100 percent of it?

Mr. GENEEN. No.

Senator FULBRIGHT. What is the overall book of your part?

Mr. GENEEN. That is our part, I am sorry.

Senator FULBRIGHT. That is all I was getting at.

Mr. GENEEN. You are correct, \$152 million is our part.

Senator FULBRIGHT. Of book value.

Mr. GENEEN. Of the book value and it is about, that would represent about, 70 percent at this point.

#### CHILEAN OFFER TO NEGOTIATE WITH ARBITER

Senator FULBRIGHT. Did the Chilean Government make an offer to you to have negotiations with an international arbiter?

Mr. GENEEN. Yes, they did.

Senator FULBRIGHT. Why didn't you accept it?

Mr. GENEEN. We offered it to them, as a matter of fact, but they coupled it with a demand to immediately take over the company and we felt this would be detrimental to our own position to have a so-called appraisal going on under their control and we refused to couple it with it. That is all that was involved.

Now, I might point out that we have a concession contract with them that is very clear that we are to be paid book value, so in a sense what we offered to do was beyond our contract.

#### BRAZILIAN EXPROPRIATION COMPENSATED

Senator FULBRIGHT. Were you one of the companies expropriated in Brazil?

Mr. GENEEN. We—

Senator FULBRIGHT. Was a telephone company in Brazil taken over?

Mr. GENEEN. You are correct in your memory, Senator.

Senator FULBRIGHT. Was that yours?

Mr. GENEEN. We had a telephone company in Brazil. It was expropriated by the local governor, and the problem was that the Federal Government didn't have much control over the local governor. But we worked it out finally and negotiated and worked it out and got paid.

**BEST COPY AVAILABLE**



Senator FULBRIGHT. That is what I understood.

You left the impression that in every case of expropriations you had not been paid.

Mr. GENEEN. That was one of those.

Senator FULBRIGHT. This leaves the impression that you never were getting paid, that they were very tough.

#### SALE OF COMPANY IN PERU

Mr. GENEEN. Let me give you the example, Senator, in 1969 which is only a year prior to 1970 we sold our telephone company in Peru to the government and, in turn, in order to work that out we agreed to invest the entire proceeds in Peru and we did. In fact, we built a hotel that cost us more than we got out of the telephone company so these are ways that we have worked it out.

Senator FULBRIGHT. Are you free to sell that hotel if you can find a buyer?

Mr. GENEEN. I don't know but it hasn't been our intention because we operate a chain of hotels and we believe that we can bring something to the——

Senator FULBRIGHT. What chain do you operate?

Mr. GENEEN. Sheraton, sir.

Senator FULBRIGHT. Did I understand you to say a moment ago that your policy is never to make political contributions anywhere?

Mr. GENEEN. Beg pardon? That is correct.

Senator FULBRIGHT. Did you mean abroad? You mean anywhere except the United States?

Mr. GENEEN. Well, the company does not make contributions in the United States.

Senator FULBRIGHT. Well, I thought they had. I thought they had offered to make——

Mr. GENEEN. No.

Senator FULBRIGHT. But any way that is a side issue. I didn't mean to go into it.

#### EFFECT OF PROVOCATION ON NEGOTIATIONS IN CHILE

It appears certain that the origin of the proposal to intervene in the Chilean election came from you. This in itself was one of the provocations of why you got nowhere in your expropriations negotiations. What do you have to say about that?

Mr. GENEEN. I don't think there was any provocation, and I covered that in my statement, Senator, until, I say, the Anderson Papers, until 6 months after we had been intervened and taken over.

Senator CHURCH. But, Mr. Geneen, the negotiations on compensation were still underway at the time of the publication of the Anderson Papers, were they not?

Mr. GENEEN. We were carrying on negotiations, I don't know how much we felt was going to be accomplished with them but we felt it was our duty and we did.

Senator CHURCH. After publication of the Anderson Papers, those negotiations were broken off by the Chilean Government?

Mr. GENEEN. That is correct.

## COMPENSATION TO COPPER COMPANIES

Senator FULBRIGHT. Is it your information that the copper companies will be reimbursed in any substantial way for their properties?

Mr. GENEEN. Well, Senator, if you look at the record, President Allende in December, which is only a few days after he had taken office, introduced legislation into his congress to change the Chilean constitution so that they could expropriate properties and not have to pay for them except under a formula which involves an excess tax, excess profits tax, which is solely at his personal discretion as President.

Now, I can't exactly imagine why anybody would introduce this kind of legislation if there was a bona fide intent to pay them. I can't speak for the copper companies, they are probably much better aware and able to answer that question, but you asked my personal opinion, and I say that it indicates that there is not an intent to pay.

Senator FULBRIGHT. They had already engaged in a joint venture, so to speak, with the Chilean Government which already owned a substantial amount of the copper companies. Is that not correct?

Mr. GENEEN. That is correct, Senator, and that is what I meant when I said in another 6 years this was part of Mr. Frei's approach and I think Mr. Tomic or Mr. Alessandri either would have carried out, and in another 6 years all of the companies would have been substantially out of it and it would have been in the hands of the local government.

Senator FULBRIGHT. I have one further question along the lines of Senator Case's question.

Mr. GENEEN. Yes, sir.

## GENEEN DISCUSSION WITH KORRY

Senator FULBRIGHT. Did you ever discuss these same matters with our Ambassador Korry?

Mr. GENEEN. I had not seen Ambassador Korry since about 1968 when I was in Chile, and there was no discussion of any such matters there except a general concern we had about the growth and strength of the Communist Party and I don't think he would in any way question that statement as I read his testimony and I think he has been very concerned about it right straight through.

## DIFFERENCE BETWEEN BROE'S APPROACH AND KORRY'S

Senator FULBRIGHT. Did you detect any difference in attitude on the part of Ambassador Korry and Mr. Broe?

Mr. GENEEN. I have no awareness that they even talked to each other, sir.

Senator FULBRIGHT. I didn't mean they talked to each other. As far as I know, they didn't.

Mr. GENEEN. I have no way of relating their two attitudes other than Mr. Korry, from his testimony, maintained a scrupulous position of carrying out his instructions and I am assuming that Mr. Broe did exactly the same.

Senator FULBRIGHT. You couldn't say that there was any difference in their approach to whether or not we should do anything affirmative in Chile?

Mr. GENEEN. No, I really don't know. I am saying in my opinion they carried out their own instructions and I respect that.

Senator FULBRIGHT. That is all, Mr. Chairman.

#### M'CONE SUGGESTION LEADS TO MEETING WITH BROE

Senator CHURCH. Mr. Geneen, in your original statement this morning you divided the period into three parts. We had commenced to discuss the first paper, that is the July period prior to the popular elections. Both your testimony, I think, and previous testimony confirms the fact that it was Mr. McCone who first suggested a meeting between you and the CIA. And that suggestion by Mr. McCone led to the meeting between you and Mr. Broe at the Sheraton Hotel. That is correct?

Mr. GENEEN. That is correct, sir.

Senator CHURCH. I would like to ask you a series of questions which I think you can answer. They are very specific questions, and I think you can answer them with just a yes or no.

Mr. GENEEN. OK, sir.

Senator CHURCH. I would like to get through this series before we break for the morning. We will come back again this afternoon.

Did Mr. McCone, when he first suggested the possibility of a meeting between you and the CIA, suggest to you that you might offer the CIA a financial contribution on the part of ITT for one of the Chilean presidential candidates?

Mr. GENEEN. He definitely did not.

#### BOARD, M'CONE UNAWARE OF FUND OFFER TO CIA

Senator CHURCH. Did you personally inform him afterward, that is to say, after the meeting with Mr. Broe, that such a financial contribution had been offered?

Mr. GENEEN. I did not, and I am sure, as I have already testified, that this was a reaction that took place and died in the conversation and I apparently didn't even give it enough importance to remember.

Senator CHURCH. Did you personally advise any other member of the board of directors at the time or thereafter that you had discussed such a contribution with Mr. Broe?

Mr. GENEEN. No, I did not.

#### REASON FOR SEEKING OUT CIA

Senator CHURCH. Mr. Geneen, if all that was involved was petitioning your Government, why did you seek out the CIA?

Mr. GENEEN. I think of them as a supplier of good information in this kind of an area and that is exactly what I went to the meeting for and that is all that Mr. McCone set it up for.

Senator CHURCH. Well, apart from what Mr. McCone may have set it up for Mr. Broe testified that you offered a substantial sum to be used by the CIA for the support of Mr. Alessandri. And you have agreed to accept his version of the testimony?

Mr. GENEEN. Yes, and I have given you my version of how I believe it arose.

Senator CHURCH. That is something else than just simply petitioning the Government, isn't it?

Mr. GENEEN. Yes, and no. It is within their policy or it is not.

#### PREELECTION LOBBYING IN WASHINGTON

Senator CHURCH. In this preelection period, did you personally petition the State Department?

Mr. GENEEN. I did not but we had people, I am sure, who were calling on State.

Senator CHURCH. In the pre-election period?

Mr. GENEEN. They would have people calling on State and getting their inputs.

Senator CHURCH. But Mr. Neal during this period didn't make any offer of any sum of money. This was prior to the election.

Mr. GENEEN. Beg pardon, sir?

Senator CHURCH. We are talking now about the period prior to the election, the July period.

Mr. GENEEN. No, I am saying there were people calling on the State Department in that respect to get their information and probably keep them advised of our problem. I think that was fairly continuous.

Senator CHURCH. But nobody else during that period was conveying to the Government the willingness of ITT to contribute a substantial sum if the Government would devise a plan—

Mr. GENEEN. No.

Senator CHURCH [continuing]. To back Alessandri. That is what I am talking about.

Mr. GENEEN. No, I am sorry, sir. No.

Senator CHURCH. Did you personally present such a proposal to Mr. Ehrlichman with respect to the Chilean election?

Mr. GENEEN. No, I never discussed it with him.

Senator CHURCH. Did you personally present such a suggestion to Mr. Colson?

Mr. GENEEN. No, I never suggested it.

Senator CHURCH. Did you personally present such a suggestion to the President, that is President Nixon?

Mr. GENEEN. Certainly not. I never talked to him.

Senator CHURCH. Did you or Mr. Gerrity, to your knowledge, present such a proposal to Mr. Agnew, the Vice President?

#### GENEEN OFFER OF FUND ONLY TO CIA

Mr. GENEEN. I am missing something here because there is no proposal made to anybody of this type except the ones we have already talked about.

Senator CHURCH. Only to Mr. Broe.

Mr. GENEEN. Well, when you are talking about Mr. Broe or Mr. Neal.

Senator CHURCH. We are talking about the proposal you made to give a substantial money if the CIA—

Mr. GENEEN. All right.

Senator CHURCH [continuing]. Had a plan, the purpose of the money being to help finance Mr. Alessandri.

Mr. GENEEN. Well, the suggestion died in the conversation, as I have said. It was never discussed with anybody else. I never discussed

it with anybody else, nobody else knew about it, so I don't know how they could propose it to anybody.

Senator CHURCH. So, it is very clear then that the only offer you made or suggestion you made was to Mr. Broe, head of the Clandestine Operations division of the CIA. You suggested to Mr. Broe that, "If the CIA will act as a conduit or prepare a plan we are prepared to give a substantial sum of money for the purpose of helping to elect Mr. Alessandri."

Mr. GENEEN. Well, I have already described my reaction of how it arose and my reaction, and I think that is what we did.

Senator CHURCH. All right.

This afternoon, we are going to take up the post-election period, that is the period right after the elections. We are going to look into this second offer of up to seven figures and try to determine the facts relating to that.

Thank you very much for your testimony this morning, Mr. Geneen. We will come back into session at 2:30 this afternoon.

[Whereupon, at 12:25 p.m. the subcommittee recessed, to reconvene at 2:30 p.m., the same day.]

#### AFTERNOON SESSION

Senator CHURCH. The hearing will please come to order.

Mr. Geneen, you have a statement in clarification of something that you said this morning that you would like to make at this time.

**TESTIMONY OF HAROLD S. GENEEN, CHAIRMAN AND CHIEF EXECUTIVE, ITT; ACCOMPANIED BY JOHN H. SCHAFER, COUNSEL, ITT, AND PHIL E. GILBERT, JR., COUNSEL FOR MR. GENEEN—**  
Resumed

Mr. GENEEN. That is correct, Senator. Counsel felt that on the last answer that I gave to you I was not responsive to the question and maybe I did not understand the question. So I would like to make clear the three things I was testifying to. If there was anything inconsistent about that in my previous testimony, it was unintentional.

First, that I did not know that Broe had anything to do with the Clandestine Services.

Second, while I fully accepted Mr. Broe's statement of what our conversation was at that time on the subject I did feel, and I have so testified that in my opinion I probably was perhaps voicing the query of what might be helpful rather than necessarily exactly an offer. I think this is consistent with my previous testimony.

And the third, that I had not made any offer as to any other part of the Government and as I stated this morning the matter died right there in the conversation.

Senator CHURCH. Fine.

Mr. GENEEN. Thank you.

Senator CHURCH. Mr. Levinson will commence the questioning this afternoon.

#### INSERTING DOCUMENTS FOR THE RECORD

Mr. LEVINSON. Mr. Chairman, before beginning with the questions, may we have the documents which have been referred to in this hearing

and those incorporated in volumes I, II, and III printed as appendices to the record?

Senator CHURCH. Without objection that will be the order of the committee.

Mr. BLUM. In addition to that, Mr. Chairman, we would like to insert a variety of additional documents which have been received by the committee from both ITT and other corporations which are relevant to the proceedings.

Senator CHURCH. Yes, those documents will be incorporated in appropriate places in the record.

Now, Mr. Levinson, will you begin the questions.

Mr. LEVINSON. Yes.

#### COMPANY CONTRIBUTION TO 1964 CHILEAN ELECTION

Mr. Geneen, I would like to refer back to Mr. Broe's testimony for just one question in connection with a series of questions which Senator Case asked with respect to 1964.

Mr. Broe had stated that you told him in that conversation that a group of businessmen had desired to invest in the 1964 election and had contacted Mr. McCone who was then the Director of the Central Intelligence. He would not accept the funds.

The question is simply this: Did ITT directly or indirectly contribute to any fund designed to help one of the Chilean presidential candidates in 1964?

Mr. GENEEN. The answer is absolutely no.

Mr. LEVINSON. Thank you.

#### THE POST-POPULAR ELECTION PERIOD

Now, I would like to turn to early September 1970—

Mr. GENEEN. I didn't hear your first part, I am sorry, Mr. Levinson.

Mr. LEVINSON. I am going to turn now to the second period mentioned in your statement.

Mr. GENEEN. Thank you.

Mr. LEVINSON. The post-popular election period.

Mr. GENEEN. All right.

Mr. LEVINSON. Allende won a plurality on September 4. On September 9, you had a board meeting.

Mr. GENEEN. That is correct.

Mr. LEVINSON. Both you and Mr. McCone are in agreement that at this board meeting the two of you had a conversation about the Chilean political situation and a possible offer of funds in support of a U.S. Government plan.

In your statement you note, and I quote page 4, referring to McCone.

Mr. GENEEN. Yes.

#### HOPE FOR ANTI-ALLENDE COALITION

Mr. LEVINSON. Bottom paragraph—

He—McCone—felt that the Chilean people might still arrive at a democratic coalition solution which would be more representative of the majority of the electorate. He felt the timing was already late but there was still a chance that our Government might develop a plan that might improve the chance for a democratic coalition.

So as we have it here, it is Mr. McCone who feels that Allende might be stopped by a coalition in this Chilean Congress. Is that correct?

Mr. GENEEN. Yes, I think he feels that I also had the same feeling. Perhaps it was sort of a mutual thought at that point, although I felt it was probably more remote than he did.

Mr. LEVINSON. But at least as it is in the statement—

Mr. GENEEN. Yes, that is correct.

Mr. LEVINSON. Later in your statement you say, and I quote—

Through Mr. Gerrity, I directed that an approach be made to both the State Department and Mr. Kissinger's office, to tell them we had grave concern over the outlook for ITT's investment and we are desirous of discussing our thoughts in Washington and willing to assist financially in any Government plan to help protect private American investment in Chile.

So at least here, according to your statement the purpose of the offer of funds was to support a plan to help protect American private investments, is that correct?

#### DUAL PURPOSE OF FUNDS

Mr. GENEEN. I think you have to look at it, Mr. Levinson, as being a kind of a dual purpose. Mr. McCone felt stronger than I that there was a possibility that there could be a coalition worked out and, as I said in my opening statement, part of our thinking in mentioning the million dollar figure was both to give an impression of serious intent on our part and to get serious interest.

Now, if such a plan were feasible—as I said I had a much more remote feeling about it at that stage—it would be something that the Government would have to do, as I saw it and probably in their own thinking. There may or may not have been some role for us, but I don't know what it could have been.

On the other hand, assuming that I am correct or that it worked out that was not a feasible approach, then we still had the problem of what were we going to do moving forward recognizing the things that were going to transpire in the way of events, expropriations and so forth. That is where I would have hoped to have come down and talked to basically with either of the departments as to what might be some answers.

Mr. LEVINSON. Well, let me now turn to—

Mr. GENEEN. That is why I say dual, excuse me.

Mr. LEVINSON. Let me now turn to Mr. McCone's testimony.

Mr. GENEEN. Yes, fine.

#### M'CONE TESTIMONY ON \$1 MILLION FUND

Mr. LEVINSON. I asked Mr. McCone:

Did Mr. Geneen at that time advise you that he considered the situation in Chile so serious that he was prepared to contribute a substantial sum of money if a way could be found to save the situation?

Mr. McCone answered, and I quote:

What he told me at that time was that he was prepared to put up as much as a million dollars in support of any plan that was adopted by the government for the purpose of bringing about a coalition of the opposition to Allende so that when confirmation was up, which was some months later, this coalition would be united and deprive Allende of his position.

Senator Church returned to this point and said :

Mr. McCone, going back to your earlier testimony, you said that Mr. Geneen advised you that ITT was prepared to spend up to a million dollars in support of an American government plan to form some coalition in the Chilean Congress that would deny Mr. Allende the presidency. You said that you approved of that and that you communicated it to high officials of the Government.

Mr. McCONE. That is correct.

So at least at these two points, according to McCone's testimony, you told him that you were prepared to put up the million dollars in support of a U.S. Government plan for the purpose of bringing about a coalition of the opposition to Allende that would be united and deprive Allende of his confirmation some months later.

So there isn't any doubt, is there, that it was your idea, as well, that the million-dollar fund was to be related to a plan to bring about a coalition to stop Allende in the Chilean Congress?

Mr. GENEEN. I have said, Mr. Levinson, it had a dual purpose of which this would be one. I stated the other way, it was not necessarily to stop Allende. I said it was perhaps to have the Chileans arrive at a better representation of their own democratic majority. This was Mr. McCone's feeling.

Mr. LEVINSON. Now, in relation to—

Mr. GENEEN. Yes; it is a Government plan, a U.S. Government plan.

Mr. LEVINSON. The purpose of the plan was to bring about a coalition?

Mr. GENEEN. One or the other, but it was a dual purpose. Right.

Mr. LEVINSON. But it was yours and Mr. McCone's idea?

Senator CASE. One and the other; you mean both.

Mr. GENEEN. That is right, Senator.

Mr. LEVINSON. As long as we are clear.

Mr. GENEEN. Yes, no question.

Mr. LEVINSON. This idea was exclusively that of Mr. McCone?

Mr. GENEEN. No—that is not correct. He had greater, you might say, belief in it than I.

Mr. LEVINSON. But the idea pertained to both?

Mr. GENEEN. That is correct.

Mr. LEVINSON. OK.

#### GENEEN INSTRUCTIONS TO NEAL AND GERRITY

Once again turning to your statement, concerning whatever instructions you may have given to Mr. Gerrity and Mr. Neal: what you told Gerrity is explicitly stated in the paragraph I read, so I won't read it again. But for the record, so that we are clear, you do not claim that you instructed Gerrity to have Neal convey to Vaky and the State Department a possible use of funds for low-cost housing or technical assistance in agriculture?

Mr. GENEEN. No, I do not.

Mr. LEVINSON. Thank you.

You also summarize Mr. Neal's telephone conversation with Mr. Vaky. And here again you are quite clear that you do not claim that Mr. Neal conveyed such possible uses to Vaky.

Mr. GENEEN. No; and it is quite clear that I am willing to come down and go into whatever plan the U.S. Government has.

Mr. LEVINSON. OK.



Going back to this morning's testimony, I would like to simply refer to a few points in clarification.

#### NEGOTIATIONS WITH CHILE

One is with respect to negotiations in which you refer to the fact that the company has not been compensated. In late 1971, or early 1972, President Allende agreed, did he not, to move the locus of negotiations from Santiago to Washington—whether at your request or on his own, I am not clear—so as to remove them from the superheated political atmosphere of Santiago, to Washington, as evidence of his good faith in seeking to arrive at an agreement with you.

Did he not say to your negotiators words to the effect that, "Let's both try at least one more time to reach an agreement."

Mr. GENEEN. Mr. Levinson, I am aware that we moved the negotiations to Washington, I think to work with the Ambassador. I don't know whether it was at our request, but I believe it was. But I never heard any specific reference on what basis it was done. I have a feeling that maybe we were anxious to and they acceded to it. But I don't know that there was any expression beyond that.

Mr. LEVINSON. Those negotiations were taking place, and, indeed, Ambassador Letelier was expected back in Washington the weekend before the publication of the first Anderson Papers, with a new offer in connection with your negotiations.

Mr. GENEEN. That I cannot speak to, because I don't know anything about a new offer. And I don't know anything, I don't recall anything, about the specific timing. I do know it was intended that we carry on negotiations in Washington with the Ambassador.

Mr. LEVINSON. Negotiations were taking place right up until the time of publication of the Anderson Papers.

Mr. GENEEN. As far as I know, that is correct.

Mr. LEVINSON. All right.

#### ITT INVESTMENTS IN COMMUNIST COUNTRIES

You also mentioned that you had had properties taken in seven other Communist countries and Chile was the eighth.

Mr. GENEEN. That is correct.

Mr. LEVINSON. And that you had not received compensation.

You have found it profitable, and you do seek to enlarge your business connections with the Communist world, even with some of the countries in which your property was taken. That is a fact, isn't it?

Mr. GENEEN. I am trying to roughly check over in my mind, that would be true in maybe—I would have to go back and check the countries. It might be true in one or maybe two of the seven.

Mr. LEVINSON. You have no problems, other than those that other companies find, in doing business with the Soviet Union. Is that correct?

Mr. GENEEN. No; I mean that is correct. We do not have more problems. I might say that our contract negotiations are sometimes prolonged, but basically they have kept their word where we have done business.

I think I said this morning, Mr. Levinson, in my opinion—it is a personal opinion—that the Communist philosophy does not necessarily seek or look to private investment of the type we think of capital investments in Latin America. Otherwise, and I think they tend to look upon us as an expendable area.

That is just my conjecture based on my experience. We do do business in some of these areas, just as I say, one or two. But they have never paid us.

Senator CHURCH. Just so I can be clear——

Mr. GENEEN. Yes.

Senator CHURCH [continuing]. Your real objection then to the Marxist government depends upon whether or not it is one with whom you can do business? In other words, you are engaged, as I understand it, in some extensive negotiations looking toward doing business inside the Soviet Union?

Mr. GENEEN. That is correct.

Senator CHURCH. Isn't that correct?

Mr. GENEEN. Yes, sir.

Senator CHURCH. So the fact that the Russians are a Marxist government does not preclude your doing business with them inside the Soviet Union. Therefore, you are not standing on any general or ideological objection to Marxism as such, are you?

Mr. GENEEN. No.

Senator CHURCH. But some of these Marxist countries have expropriated your properties, and you find that you cannot do business with them. Chile is one of them. Is that right?

Mr. GENEEN. That is correct. Of course, that is by far the largest, Senator and, of course, that was pretty catastrophic. By the way, I think that is a fair comment, Senator. We still have hotels and some operations in Chile that are operating and in which we are carrying on.

Senator CHURCH. Yes.

I think we should make that clear, because many large companies are at the present time engaged in very active negotiations with the Soviet Union. There is at least the prospect of some very substantial investments by large multinational corporations in the Soviet Union, and I think the same is true in certain countries in Eastern Europe. Is it not, Mr. Geneen?

Mr. GENEEN. That is correct. I thoroughly agree with that statement.

Mr. LEVINSON. I just have one more question, Mr. Chairman.

Mr. GENEEN. Certainly.

#### EFFECT OF PUTTING PRESSURE ON ALLENDE GOVERNMENT

Mr. LEVINSON. In connection with this subject, I should like to refer you to Mr. Berrellez' first post-election cable from Santiago dated September 7, 1970. I would like to read one or two excerpts from paragraph 17, in which Berrellez says, "Reliablest sources caution us to proceed slowly, not to panic even if pressures are strong in the beginning."

Further along, he says about Allende, "Since he has promised to respect the constitution—with some reforms—Allende, a soft-lining Marxist who has preached and stuck by a nonviolence stance, is expected to proceed cautiously in implementing what he calls his 'anti-imperialist, anticapitalist, national' government program. Strong outside political and economic pressures, resulting in unemployment

and unrest internally, will certainly strengthen the hand of the left-wing extremists and convert Allende into merely a puppet of a machine dedicated to violent anti-U.S. revolution on a hemisphere scale."

My question is simply this:

Is it possible that the policy of a hard line—cutting Chile off from international credit, from public international credit institutions, organizing an ad hoc committee to put pressure on the U.S. Government to convince the U.S. Government to put pressure on Chile—is it possible that by these means you, the copper companies, Mr. Quigley who testified, Mr. Henessy, and the people with him in the Treasury, who adopted this line, in effect made Berrellez' prophecy come true; that you forced or converted Allende from a soft-lining Marxist and put him in the hands of the more extreme wing of his coalition and thus brought about precisely the result that you sought to avoid, that is, expropriation without adequate compensation.

The application of this external economic pressure brought about precisely the result that Berrellez forecast in his first postelection cable.

Is that a possibility?

Mr. GENEEN. Well, you are asking for a judgment on my part on that, Mr. Levinson. I personally don't think that that is what created the difference.

Let me augment that a little bit.

#### PASSING EXPROPRIATION LEGISLATION

No. 1, if I recall correctly, he introduced legislation into the Congress to change the Chilean Constitution so that—I mean they had always had expropriation clauses that called for fair payment—and he introduced legislation to change that, I think, in December, which is very shortly after he took office.

Mr. LEVINSON. That legislation related to the copper companies and was passed July 16 by unanimous—

Mr. GENEEN. I don't know when it was introduced but it was passed quite rapidly after introduced.

Mr. LEVINSON. But it was passed July 16 and passed by the unanimous vote of the entire Congress, including all of the opposition candidates. So the question of whether or not there was compensation was to be left until October.

#### PRESSURE PUSHING ALLENDE TO LEFT

All I am raising with you—

Mr. GENEEN. Yes; that is right.

Mr. LEVINSON [continuing]. Is that in these first 10 months of the Allende regime, Allende was at the head of a diverse coalition of interests, with moderates on the one hand and hard-liners on the other, with those who were urging him to accommodation and conciliation with the United States and with U.S. companies and those, radicals, arguing that "no matter what you do they are going to squeeze you and push you to the wall: every time you are accommodating, they are going to take it as weakness on your part." My question to you is simply: If there had been an alternative strategy on the part of your own company, the copper companies, and the U.S. Government might you have achieved a different result, rather than

shoving Allende into the hands of the extremist wing of his coalition so that Berrellez' prophecy became fact?

Mr. GENEEN. Yes, I said this called for a judgment on my part. No. 1, I don't think the ad hoc committee was very active until early 1972.

Mr. LEVINSON. 1971, January 1971.

Mr. GENEEN. Well, I am thinking of the one that was calling on the Treasury, if that is the one I was thinking of. But I don't think we did in the early months there that would go—as far as his credit is concerned, that is not in our control.

Mr. LEVINSON. Mr. Neal visited Mr. Kissinger, Mr. Merriam, and Mr. Mecham of Anaconda visited Mr. Kissinger, and all evidenced a concern that Chile had received two loans from the Inter-American Development Bank for higher education.

Mr. GENEEN. Right.

Mr. LEVINSON. So this was a subject which was communicated as concern on the part of companies that Chile was receiving access to credit.

I am simply asking——

#### NEGOTIATION PATTERN

Mr. GENEEN. I know, I am trying to reason out because it is a judgment question, there is no pat answer, if you want our experience. We called on Mr. Allende, President Allende, shortly thereafter. I have forgotten the exact sequence of the conversations, but the first one was to "have no fear, I intend to treat you very fairly"; and the second one was "we will put up a commission to deal with you"; and the third thing we got was a \$24 million offer on a \$153 million property. So as you say, what did we think of that. I don't know. It doesn't sound like he was trying to basically give us a fair answer at that particular point.

Then we went back, as we mentioned this morning, to the question of whether we should go to an outside valuation. And, as I say, we were willing to do this in spite of our contract which called for book value, providing that he uncoupled it from the demand that he take over immediate control of the company. So you might say on the record of our own dealings with him—I don't know what you would call that—it is a little less than bona fide in a sense. So I have so say, if I were swayed by that, I would be willing so say that he must have had some feeling about not paying full amounts from the beginning. That would be my reaction.

Senator PERCY. Wasn't there a feeling though, Mr. Geneen, that this was a first offer? Was there any indication given to you as to the finality of this offer? Was it "take it or leave it?" Did they end the negotiations and say "This is the end," or was the offer made in the spirit of bargaining?

Mr. GENEEN. Well, Senator, \$24 million for \$153 million is pretty far out. I think we were also impressed by the fact that we asked him how they got the \$24 and they came up with a figure \$48 and then just decided it was too high and cut it in half. I don't know what this represents. But let me say we stayed in there and negotiated right to the very end because it was our obligation to stay in there, and our duty to OPIC.

## SOFT LINE NO HELP

But coming back to Mr. Levinson's question: If we had adopted a broader line and moved forward and convinced him to stay in the kind of an area I don't know. Personally I have some doubts. But if you go back to the plan if we can see in Washington, if there is anything that can be done, one of the things that concerns me is how do you recover \$2 billion worth of property from a country that has got \$300 million of financial reserves. It is a pretty unusual problem, I would have said it might have been worth a try, but I don't know what it would have accomplished.

Senator CHURCH. Very well, Mr. Geneen, I think you are quite right. The question does call for a judgment. There is no way to establish it one way or the other.

Mr. Blum will continue the questioning.

## PROPOSALS FROM THE FIELD

Mr. BLUM. Mr. Geneen, I would like to turn to the various reports or proposals that were coming from your field men in Santiago, Mr. Hendrix, and Mr. Berrelles.

Mr. GENEEN. Right.

Mr. BLUM. Are you familiar with the cable they sent to Mr. Gerrity on September 17?

There were in that cable five suggestions that they made.

"We have recommended apart from direct assistance the following: We and other U.S. firms in Chile pump some advertising into El Mercurio. (This has been started.)" and so forth. Are you familiar with those suggestions?

Mr. GENEEN. I don't remember this particular cable. I went to Europe about that weekend and my understanding is nothing was done on this with the exception of the USIS item, which I have already noted in my statement, which is the only one I knew about.

Mr. BLUM. What I am getting at is, would you characterize this as corporate policy?

Mr. GENEEN. No, I would not.

Mr. BLUM. Were these merely suggestions from the field? Is that it?

Mr. GENEEN. Well, they weren't suggestions that were made to me. They must have come up through Mr. Gerrity, and I don't recall what happened, whether he talked to me on it or not. But he did talk to me, I guess, from the cable I got.

Mr. BLUM. There was a later cable.

Mr. GENEEN. Yes.

Mr. BLUM. The one from Berrellez on September 29, indicating the economic vulnerability of Chile.

I take it that you would regard that as a report that gives you information you might accept or reject. This is one of your field men proposing policy options for you. Would that be a correct characterization?

Mr. GENEEN. I don't recall that I ever saw this but I would characterize a lot of the material that was coming up at that time as some kind of reporting on what was going on down there, not necessarily recommendations.

Mr. BLUM. Mr. McCone testified that he specifically recalled discussing these recommendations with you on the telephone. Do you recall the lengthy phone call in which you discussed the suggestion from the ITT people as well as suggestions from Mr. Broe. Do you have any recollection of that telephone conversation?

Mr. SCHAFER. Mr. Blum, are you saying Mr. McCone mentioned this particular document?

Mr. BLUM. He didn't mention this document specifically. He said he discussed with Mr. Geneen recommendations from the field people, ITT suggestions that were kicked up, as well as the recommendation Mr. Broe made to Mr. Gerrity. I am asking Mr. Geneen whether he recalls that conversation with Mr. McCone.

Mr. GENEEN. The only conversation I remember, and I think it was after the fact rather than before, had to do with Mr. Broe's recommendations.

Mr. BLUM. You don't recall discussing any of the recommendations of Hendrix or Berrellez?

Mr. GENEEN. No, I do not and I am not sure I was even aware of some of them.

Senator CHURCH. I have a question, Mr. Blum, if I may.

Mr. GENEEN. Please.

#### BERRELLEZ OFFER TO MATTE

Senator CHURCH. I have a question here that relates back to your testimony this morning. Mr. Geneen. This morning in answer to a question you said that the ITT had made no contribution to the Chilean election and had offered no contribution apart from what may have transpired in your conversation with Mr. Broe in July.

Mr. GENEEN. That is right.

Senator CHURCH. But we had testimony, and it appears in this very cable of September 17, 1970, sent by Mr. Hendrix and Mr. Berrellez to Mr. Gerrity.

When Mr. Berrellez was before the committee, we questioned him on this particular conversation that he had had with Mr. Matte, who was the campaign manager for Jorge Alessandri. In this cable he makes reference to that conversation with Mr. Matte and writes, "Matte did not mention money or any other needs. At the end when it was mentioned we were, as always, ready to contribute with what was necessary, he said we would be advised."

When we questioned Mr. Berrellez about this, I must say his answers were not very satisfactory. He seemed to want to leave the impression that there was some nuance in the Spanish language that made it different from the way it sounded when translated into English. But after his testimony, Mr. Matte himself, if we can believe the reports from the Associated Press, announced in Chile that your man did, in fact, offer him money, and that it happened in the course of this particular conversation.

Mr. SCHAFER. Senator, that is not the way we read that dispatch in the papers.

Senator CHURCH. Do you have the dispatch?

Mr. SCHAFER. As it was published in the Washington Post the statement was just the contrary, if you will.

Senator CHURCH. We will get the dispatch.

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Mr. SCHAFER. Surely.

Senator CHURCH. Would someone run down the dispatch? Until we get the dispatch we won't argue about what it said.

Mr. SCHAFER. Right.

Senator CHURCH. But this particular cable reads as though an offer was made to Mr. Matte and Mr. Matte said that you would be advised whether or not money was needed. Isn't that the way you read those words?

#### LACK OF AUTHORITY FOR BERRELLEZ OFFER

Mr. GENEEN. I read them but I have also understood what they apparently were intended to make. I can only say that nobody was authorized to make any kind of a contribution and nobody asked me to authorize one. If they did, I would have turned it down.

Senator CHURCH. When this communication reached you did you undertake at that time to make it clear that Berrellez had acted beyond his authority?

Mr. GENEEN. Well, I don't recall reading or getting the particular memorandum. I did get some kind of a memorandum later in Brussels which referred to it, I don't recall the action then but I apparently, probably, I am going to guess must have talked to Mr. Gerrity on the phone. And whatever happened, I don't recall—

Senator CHURCH. You see, there is nothing here—

Mr. GENEEN. No.

Senator CHURCH [continuing]. In the written communications to indicate that Berrellez was ever told that he shouldn't offer money. There is no subsequent reference that would indicate that any follow-on action was taken after he made this report, which is puzzling. Clearly anyone reading the report would have to interpret it as an offer made by Berrellez to Matte.

Mr. GENEEN. Well, he made his report to Mr. Gerrity. I believe that

Mr. Gerrity has already said he had no authority to, and nobody asked me for authority to.

Now going back to the letter or whatever it was I received in Brussels, I don't have any record of a reply. But I am sure I probably talked to Mr. Gerrity and he certainly didn't ask me for any approval. I would not have granted any if he did. All I do know is I understand none of the things that were done in this other than the USIS.

#### MATTE DENIAL

Mr. SCHAFER. Senator, I have here that AP dispatch. Would you like me to hand it up?

Senator CHURCH. Yes.

Mr. SCHAFER. If you have it available, the relevant paragraph is: "He (Berrellez) offered assistance but money was not mentioned", Matte said, 'we turned him down.' "

Senator CHURCH. What kind of assistance was intended? Can you tell us, if it was not money.

Mr. GENEEN. No; I have no idea. I had understood that the question of assistance they were looking for was some kind of help on the, you might say, public relations field up here.

Senator CHURCH. How would that have been of assistance to them in the election?

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Mr. GENEEN. I don't know. I was not talking to Mr. Berrellez but my guess is, from what I have heard, is they were looking for some help in the congressional level in the United States. That is what I understood.

Senator CHURCH. Let me read this dispatch for whatever light it may shed on this question.

Mr. GENEEN. Surely.

Senator CHURCH. Santiago, March 23, Associated Press.

A prominent conservative politician said today that he turned down an offer from an executive of International Telephone and Telegraph Corporation to help anti-Marxist Chileans block the election of Salvador Allende as President.

Arturo Matte Larrain said in a telephone interview that Robert Berrellez, an ITT public relations executive, made the offer 2 years ago, while the election of Allende, a Marxist, hung in the balance.

"Matte's statement confirmed testimony Berrellez gave to a Senate subcommittee investigation conducted by Senator Frank Church (D-Idaho) this week.

Matte was campaign manager for ex-President Jorge Alessandri at the time. Alessandri, a conservative, was one of two non-Marxist candidates running against Allende.

The offer was made while the Chilean people waited to see if Congress would confirm Allende's election because the Marxist candidate had failed to muster a majority of the popular vote as required by the constitution.

"He [Berrellez] offered assistance but money was not mentioned" Matte said. "We turned him down."

"He seemed to be very interested in preventing Allende from taking office" the politician said. "There were a lot of people at the time interested in keeping out Allende, I didn't want to have anything to do with him."

Matte said that he finally told Berrellez: "You will be advised." He said nothing more was said about the offer.

So at least some kind of offer of assistance was made, and rejected. But you don't know what that offer of assistance might have been or what Berrellez had in mind when he did offer to assist.

Mr. GENEEN. No. The only thing I understood was that they were looking for some public relations support at the congressional level up here.

#### BROE'S PROPOSALS TO GERRITY

Mr. BLUM. Mr. Geneen, I had asked you about the Hendrix and Berrellez cables, and the approach Mr. Broe made to Mr. Gerrity, and telephone conversation which Mr. McCone testified to with respect to both items.

With respect to the proposals that had been made by Mr. Broe to Mr. Gerrity, let me read you an excerpt from Mr. McCone's testimony in executive session:

The telephone conversation that stands out most vividly in my mind was one in which Mr. Geneen and I discussed the feasibility of some of these staff plans which we were of a mind should not be supported.

Senator Church. When you say "staff plans," Mr. McCone, what staff plans are you referring to?

Mr. McCone. I am referring to the two or three documents which came up which summarized discussions of two or three ITT men in Santiago and you have a copy of those memoranda, Senator Church. Yes; you have them, I gave them to you. Also a summary of a discussion with Mr. Broe, either Mr. Broe, Mr. Gerrity or someone in which he enumerated a number of actions which might cause economic distress." And then Mr. McCone continues: "Those are the matters I am referring to. The telephone conversation that most clearly stands out in my mind was the telephone conversation in which Mr. Geneen and I were of a common mind that those would not fly."

Do you recall that conversation?



## WORKABILITY OF BROE SUGGESTIONS

Mr. GENEEN. No; I don't, and I think, the only thing I recall is talking to Mr. McCone about Mr. Broe's so-called recommendations.

Now, I can only conjecture that Mr. McCone is thinking more in terms of the Alessandri formula, will it work or so on, but I have no recollection of talking to him in any detail about any memorandum.

Mr. BLUM. You discussed the proposals that Mr. Broe made to Mr. Gerrity.

Mr. GENEEN. Yes; I think I discussed them after the fact and I think I testified in my previous testimony to you, and I think I testified that my reaction, as I roughly recall it, was that I didn't think it was a sound answer, of course, and said so.

Mr. BLUM. Is the issue not this, Mr. Geneen, that Mr. McCone said "We were of a common mind they would not fly." Is the test for whether or not ITT would have adopted them whether they were workable?

Mr. GENEEN. You mean the Broe suggestions?

Mr. BLUM. Yes.

Mr. GENEEN. Well, Mr. Blum, they are not workable for two reasons: First, we are struggling very hard down in Chile to maintain our service, and remember we set up to do that, and keep our programs going so we would have absolutely no excuse to be taken over. Now there was no way that we can drag our feet or do anything down there without making ourselves vulnerable so it is unworkable from our standpoint.

Now, as a personal matter I don't think any of these long-term boycotts or anything else have any real value or lasting value and I would say in my opinion this type of approach tends to be unworkable in total.

## ADVISABILITY OF INTERVENTION

Mr. BLUM. What I am getting at, Mr. Geneen, is this: Is the test of whether or not ITT becomes involved in something like Mr. Broe's proposal, the test of whether or not it intervenes in a political situation in another country, whether the intervention will work?

Mr. GENEEN. Well, let me say, Mr. Blum, we have a policy of not intervening, and I think, I would rather call it a neutrality policy basically, and in this particular case, really it was somewhat academic because my first reaction is it is unworkable for us, I don't think it is really a workable plan and I didn't go beyond that. If you are asking me what is the test, we don't intervene or to use the word, depart from our neutrality approach, but by the same token, I don't think we have these problems presented to us.

## VIOLATION OR NEUTRALITY POLICY

Senator CHURCH. Mr. Geneen—

Mr. GENEEN. Yes.

Senator CHURCH [continuing]. You certainly violated your neutrality policy the first time you talked to Mr. Broe, and suggested that you had a substantial sum to offer the CIA if the CIA would come up with a plan to support the Alessandri candidacy. That was certainly a violation of your neutrality policy.

Mr. GENEEN. Can I answer that, Senator?

Senator CHURCH. Yes.

Mr. GENEEN. Two things: First, I think Mr. Broe was referring in the country, as I understood it, and second as I have said I think this was basically a question if, you might say, U.S. Government level at that time and that was my reaction.

Senator CHURCH. I know. But Mr. Broe's testimony shows that you were the one who made the offer and that he told you it was not Government policy—

Mr. GENEEN. That is correct.

Senator CHURCH [continuing]. To support a candidate.

Mr. GENEEN. That is correct.

Senator CHURCH. So making an offer certainly is a violation of the neutrality policy that your company normally follows, is it not?

Mr. GENEEN. I said this morning in my opinion as I was responding to accepting his statement that in my opinion I might well have on further consideration rejected it but I think the question here was in respect to Mr. Broe's suggestion what was our normal reaction and my comment was that we don't get these kind of questions, this is a very unusual situation for us.

Senator CHURCH. If you have a neutrality policy, why were your executives consulting with Mr. Broe and why was the proposal discussed at the top management level? I mean the whole series of proposals that Broe made, including those to Gerrity that had to do with ways to foment economic chaos. That certainly is not in accordance with a neutrality policy, is it?

Mr. GENEEN. Well, I think the record shows we did turn it down.

Senator CHURCH. The record also shows you turned it down because you found it unworkable.

Mr. GENEEN. Well, that is true and I can't say what we would have done if it had gone further but it was sort of academic at that point.

#### RESURRECTION OF MILLION-DOLLAR OFFER

Senator CHURCH. You also said that when Mr. Broe told you that it was not the Government's policy to support any candidate in the Chilean election, you dropped the matter; that was the end of it. But really the million dollars was resurrected again later on. You may have dropped it for the time being, but after the popular election, when Mr. McCone went to talk to Mr. Kissinger and Mr. Helms, the million dollars reappear. I quote from Mr. McCone's testimony: Mr. Levinson asked Mr. McCone, "Did Mr. Geneen at that time advise you that he considered the situation in Chile so serious that he was prepared to contribute a substantial sum of money if a way could be found to save the situation," and Mr. McCone replies "What he told me at that time was that he was prepared to put up as much as a million dollars in support of any plan that was adopted by the Government for the purpose of bringing about a coalition of opposition to Allende so that when confirmation was up, which was some months later, this coalition would be united and deprive Allende of his position." That is McCone's testimony.

Then McCone goes on to tell us that he communicated this to the Government. So the million dollars is back in the picture again. The election is over, and the question is whether or not the Congress

would install Allende as President. Mr. McCone goes back to the U.S. Government, with your full knowledge and consent, and offers a million dollars for the purpose of trying to form some kind of coalition in the Congress that will prevent Mr. Allende from being installed. That is all on the record; Mr. McCone has testified to that.

Mr. GENEEN. Can I reply, Senator?

Senator CHURCH. Yes.

Mr. GENEEN. No. 1. I would like to make it clear that my conversation with Mr. Broe and what we were talking about with Mr. McCone and Mr. Kissinger and the State Department has absolutely no connection whatsoever. As you recall, there was no number mentioned in my conversation with Mr. Broe.

Senator CHURCH. Right. But in your conversation with Mr. Broe there was, a substantial sum—

Mr. GENEEN. Yes, but—

Senator CHURCH [continuing]. Mentioned.

Mr. GENEEN. Excuse me.

Senator CHURCH. And the million dollar figure comes up later.

#### DISTINCTION BETWEEN OFFER TO BROE AND TO OTHER GOVERNMENT AGENCIES

Mr. GENEEN. They are entirely different things. That did die just as I said right in the conversation.

Now, the offer we are talking about which I have described to Mr. Levinson was sort of a dual approach. I said it was a million dollars to get basically attention and show that we were serious, and if it could support a coalition program in the sense of either bringing it to the attention of the Government follows in its own area or if it did not it could go down some other areas of developing a plan, this is what we had in mind.

Now that plan or that million dollars was an attention-getting device is a better word, I don't know how to describe it because I have read the testimony, I would say fairly openly presented to two departments and it was intended to be a very open offer and I assumed that the Government could not come back to private industry with anything but an open plan.

Senator CHURCH. Senator Case.

Mr. GENEEN. Yes, sir.

Senator CASE. I think this is probably the most interesting part of your testimony.

Mr. GENEEN. Please.

Senator CASE. Because it obviously is an effort to deal with Mr. McCone's statement on this very important point.

His statement, as the chairman has pointed out to you just now—to all of us again—is that the offer you made through him to Dr. Kissinger and Mr. Helms, too, was to help the U.S. Government block the confirmation of Dr. Allende by the Chilean Congress. Now you add that the purpose of the offer was also to make him more receptive to fair treatment of American companies, including your own, if he were elected. That is the substance of your alteration of the description that Mr. McCone gave of your offer; isn't that true?

Mr. GENEEN. Senator—

Senator CASE. You added this alternative.

Mr. GENEEN. Senator, I am not sure, I am not trying to correct anything but I just want to be sure we both understand each other here.

Senator CASE. Yes.

Mr. GENEEN. No, 1, the offer was not made through Mr. McCone. We had that made by Mr. Neal to Mr. Kissinger and to the State Department.

Senator CASE. That is right.

Mr. GENEEN. I asked Mr. McCone if he would bring any attention or support to it that he could and he did talk to Mr. Kissinger and say this is what we were proposing to do and, as I read his testimony, he told Mr. McCone, I mean Mr. Helms, about the offer that we had made to Mr. Kissinger. I think his testimony is clear that he did not make an offer to Mr. Helms and I think his testimony in other areas is quite clear that the policy of the CIA was not to accept such an offer in any event. So I think I would like to subdivide this thing, if I may.

Now if I can go back—

Senator CASE. I accept that.

Mr. GENEEN. No, no, I am trying to be helpful.

Senator CASE. I think you are.

Mr. GENEEN. I go back to where we were, if there was a possibility of some kind of a coalition, and I use my own slant on it, that would reflect the Chilean majority to a better degree that would have been fine and it would have been obviously a plan that the government would have had to carry out or work with, whatever it might result and, as I said this morning, in my opinion a very slim chance.

Alternatively, if we were going to go down and talk to them we might well have come up with some other kind of a plan in which we could have had something to do. The million dollars itself was not a measurement of anything except our willingness to join in a Government plan that the Government had to devise and in which we presumably would join with them and with other companies or whatever. I don't know if I have made it clear. I appreciate it is complicated.

Senator CASE. I am very glad to have your correction of this.

Mr. GENEEN. I was not correcting, trying to make it sure.

Senator CASE. No, just to be very clear as to whom in our Government the offer was made and what the share of each of your representatives was in making it.

Mr. GENEEN. Right.

#### PURPOSE OF FUNDS WAS TO BACK U.S. GOVERNMENT PLAN.

Senator CASE. But the point I am bringing out was not that. You say that you don't disagree with Mr. McCone's statement as to the purpose for which this offer was made, that you were willing to put up as much as a million dollars in support of any U.S. Government plan to bring about a coalition of opposition to Allende so that he would be deprived of the presidency. Then you add to that, not in substitution but in addition, the suggestion that if that didn't work, your offer would stand for whatever purpose that might induce Dr. Allende to proceed with nationalization in a way that would permit orderly recovery of the vast U.S. investments, including ITT's, that were at stake. So you put an additional—

Mr. GENEEN. Yes, but we have one little variation here, Senator, I am not sure we are clear one.

Senator CASE. Yes.

Mr. GENEEN. The million dollars is not per se the end offer. The purpose of the million, as I said, was to show serious intent and to get attention. Now what I have asked to do is come down and talk to see what kind of a plan we would come up with and that plan may have envisioned entirely different amounts and more people and other things, so I just want to get one thought clear. I get the impression you keep thinking that the million dollars was supposed to by itself accomplish these other two plans, if that is the point.

Senator CASE. No, this was to be your contribution—

Mr. GENEEN. All right.

Senator CASE [continuing]. To whatever government plan.

Mr. GENEEN. It may not be limited to that, let's put it that way, depending on what the plan is.

Senator CASE. But it is very clear that you are not denying that one of the reasons you did this and stated that you were doing it was to deprive Allende of his position as president.

Mr. GENEEN. Through a Government plan, correct.

Senator CASE. Right, and the other one was that if he were elected—

Mr. GENEEN. That is right.

Senator CASE [continuing]. To soften up his view in regard to nationalization.

Mr. GENEEN. Through a Government plan again.

Senator CASE. Through a Government plan again.

I would just like to say this—

Mr. GENEEN. Yes.

#### CONTRADICTIONARY PURPOSES FOR FUND

Senator CASE [continuing]. It seems to me if I were Dr. Allende, say running for the Senate here, and a nonfriend should offer to some group of my enemies "here is a million dollars to defeat Case or, if you can work it in some way, to make him vote better next time if he wins," I would regard that as a provocative thing and not just an ameliorative kind of action. That is all. I am just thinking myself.

Mr. GENEEN. Well, Senator, that would depend a little bit on what the second plan was, if I can use one and two at the moment.

Senator CASE. I don't think I would ever get over the first plan.

[Laughter.]

Mr. GENEEN. I have a feeling you are already over it.

#### WHAT HAPPENED TO THE HOUSING PLAN?

Senator CHURCH. The way the record stands at the moment the second offer that was made—the one that Mr. McCone talked about, the one that Mr. Neal was authorized to extend to the government—had a dual purpose, one purpose being to support a government plan that was directed toward forming a coalition in the Chilean congress to block Allende's election. The other possible purpose was to soften Mr. Allende's approach to the question of expropriation of ITT properties.

So you were shopping for a plan, and had a million dollars to offer for one. Mr. Broe, it seems to me, came back with a plan and his plan, the one that ultimately was offered to you as a result of these on-going discussions, was a plan to create economic chaos in Chile in which the ITT would participate along with other American companies. That is the plan that Mr. Broe of the CIA brought back and laid before Mr. Gerrity in New York, and that is the plan that you rejected as being unworkable.

Whatever happened to the houses, the building of the houses, and the technical assistance to agriculture?

Mr. GENEEN. Senator, I appreciate there has been an awful lot of talk about these houses. Let me put this in some perspective. We did seek to go down and work out a plan with the Government, either Kissinger's office or the State Department, and I don't know what that plan might have been. As I said before, all private industry in Chile was faced with an enormous problem of recovery that it would probably take years to get out, 10, 20 years, in many cases, in order to get out. You would have to reinvest as we did in Peru so I don't know what kind of a plan could have been worked out, but we had to start with what kind of a Government plan could we put together that might be worth going at the situation in total.

I think somebody, I think Senator Case made the suggestion soften up, I don't know whether it would have been a softening up or a negotiating quid pro quo or what the program would have been but one of the things.

Senator CHURCH. As the record now stands, the plan, the beneficent plan, the one that had a constructive purpose of building houses or giving technical assistance to agriculture, was never communicated to the Government, and it died somewhere between aborning and passing down the word to subordinates of the company. Mr. Neal, who was to carry the message, said he was given no such message to carry, and Mr. Garrity this morning confirmed that by saying he never told Mr. Neal to say anything like about houses or technical assistance or other constructive uses for the money. So whatever you may have been thinking of as a possibility in this line, died somewhere because it never got conveyed to the Government. That much is clear. I can understand why if it was really so serious a consideration at the time your subordinates would not have conveyed it or would not have been told to convey but it is clear they weren't. So even they had to admit that no such message was ever communicated to the Government at any time.

Mr. GENEEN. May I respond to that, Senator?

Senator CHURCH. Yes.

#### IDEAS, NOT PLANS

Mr. GENEEN. I think you are dignifying some ideas we had as being a plan. Our purpose was to get down there and talk to them about what a plan would be, and we had some ideas to contribute. I don't know that they would have been worthwhile as a plan. We thought they were areas in which we had some background and we could contribute. I think they died when we never heard any more and didn't go down. That is when they died.

Senator CHURCH. You couldn't have heard any more because the Government never heard of the plan.

Mr. GENEEN. Well, excuse me.

Senator CHURCH. Your own people said they were not told to communicate it to the Government and they didn't.

Mr. GENEEN. Senator, if I were on the receiving end and somebody said they would be willing to come down and talk about any plan I had and put up a million dollars as a serious intent I think I would ask them down for what it is worth. I had to go to Europe the following week and that is why—I didn't hear any more, went to Europe for a couple of weeks, and came back and that is when it died.

#### GOVERNMENT RESPONDS WITH A PLAN

Senator CHURCH. But the Government did come back to you with a plan.

Mr. GENEEN. Let me say we are talking to the State Department and Mr. Kissinger, I do not associate Mr. Broe's plan with what we are offering if that is the point.

Senator CHURCH. Well, Mr. McCone talked to Mr. Helms too.

Mr. GENEEN. I know he did.

Senator CHURCH. After these exchanges between Mr. McCone and Mr. Helms and Mr. Kissinger, back comes the Government with a plan. The CIA is an arm of the Government and Mr. Helms was the head of the CIA. What is the plan about? The plan is about a concerted effect to create economic chaos in Chile.

Mr. GENEEN. Well, Senator, I don't think that Mr. McCone made an offer to the CIA. He made a reference to the fact that he made an offer to Mr. Kissinger.

Senator CHURCH. That is a technicality without a difference.

Mr. GENEEN. All right.

Senator CHURCH. Whether he went to Mr. Helms and said "I am going to make you an offer," or to Mr. Kissinger, "I will make you an offer," does not strike me as being that important.

Mr. GENEEN. I never connected Mr. Broe's activities with anything to do with our offer, nor did he.

Senator CHURCH. All right. Mr. Blum, will you proceed?

#### ITT DIVESTING ITSELF OF TELEPHONE OPERATING COMPANIES

Mr. BLUM. So the record is clear about this, Mr. Geneen, how many telephone operating companies did ITT own when you became president of the company? Do you recall?

Mr. GENEEN. Gee, I would have to add them up, Mr. Blum, but I can recall the ones we sold and maybe that is one way to do it.

Mr. BLUM. Well, please.

Mr. GENEEN. We sold a half company in Mexico, we sold two companies in Brazil. We sold our company in Peru, and then we have had expropriated our company in Cuba and our company in Chile.

Mr. BLUM. And before that, you had gotten out of the telephone business in Spain.

Mr. GENEEN. Before we had an Argentine company and Spain and before that we had a number of expropriations, I forget where they were, Hungary and China and places like that.

Mr. BLUM. In the main, it was company policy to get out of the telephone operating business.

Mr. GENEEN. In the original period, this goes back far before my time, in Colonel Behn's time, the countries needed capital and needed

technical equipment and telephone companies. That is when we were active, and then as times went on, ownership of telephone companies—Mexico is a pretty good example—became sensitive not alone because of any so-called security area, but basically it was always a problem of adequate rates and the problem of an outside owner in effect politically getting raises in rates, we have got the equivalent in meat up here today, and it was a political problem. So gradually we moved out of these as we did and in some cases as in Brazil and Peru as part of our sales we agreed to reinvest in the country.

Mr. BLUM. So the telephone service is universally a political issue wherever the question comes up. For example, in Puerto Rico where you own the company the quality of service and the rates are a political issue; is that correct?

Mr. GENEEN. They tend to be and that is very close to us, of course.

Mr. BLUM. And the Chilean telephone company was the last telephone company that ITT owned outside of the United States, the last telephone operating company outside of the United States.

Mr. GENEEN. I believe that is correct and we sold Peru, as you recall, only about a year earlier.

Mr. BLUM. And it was partly owned by the Chilean Government.

Mr. GENEEN. Yes; I should add that we had already signed a contract for sale where over half, a little less than half of the Chilean telephone company which was to be followed by a final sale.

#### LOBBYING EFFORT PRECEDED NEGOTIATIONS

Mr. BLUM. Your activity and the vigorous activities of the Washington office to get the U.S. Government to do something preceded any effort on your part to negotiate in good faith over getting out of that telephone business, didn't it?

Mr. GENEEN. Well, there were so many activities, I have to place which one you are talking about now.

Mr. BLUM. We will talk about, first, the activity of September, and then the beginning activities of the ad hoc committee in 1971. You didn't really get down to serious negotiations until the late spring of 1971, did you?

Mr. GENEEN. My understanding is that we got into negotiations about March of 1971, that is at least my memory now. Now I may be corrected on that.

Mr. BLUM. What I am getting at, Mr. Geneen, is this: What was it that you were petitioning the Government for? In your statement you several times say, "We were exercising our right to petition." At that point in time prior to your negotiation, what was it you wanted the U.S. Government to do for you?

Mr. GENEEN. Well, I think by the time we had gotten beyond, I would say the end of 1970, everybody was concerned that the U.S. Government would maintain the rule of compensation for expropriation and it was our key question as we went through there and in theory with Dr. Allende or President Allende, rather, promising such an answer, and I think, I have seen some House testimony where Secretary Meyer says he not only promised it to the private companies as our own but also to our Government, that this was an area where we were, wanted to be sure that the Government did not in some manner vacate this normal claim for proper reimbursement and that was the basic thing we were after at that point.



Mr. BLUM. What you want from the American Government then, is diplomatic representations requesting that they negotiate with you in good faith, is that correct?

Mr. GENEEN. That is all we could ask for and I think, Mr. Blum, that is the historical position of the State Department. Normally they do not get between the company and the host country and perhaps they can feel they can do a better job that way.

#### \ OVERSTEPPING BOUNDS OF PETITION

Mr. BLUM. In your judgment, Mr. Geneen, do you have the right to petition the CIA?

Mr. GENEEN. I would say it is an arm of the Government we have. They have a right to turn us down too.

Mr. BLUM. In your statement you refer to an overt act by ITT in the period between the popular and congressional election. Was that the distribution of the newspaper article which you had Mr. Hendrix deliver to Santiago?

Mr. GENEEN. You mean the one exception, was that the word I used?

Mr. BLUM. Yes.

Mr. GENEEN. No; I was thinking USIS.

Mr. BLUM. You mean getting the USIS to distribute an article?

Mr. GENEEN. Yes; that was the one mistake we made.

Mr. BLUM. How does your distribution square with your testimony of wanting to build a bridge to the Allende government?

Mr. GENEEN. This was without my knowledge and that is all I know about it.

#### OALCULATION'S INVESTMENT RISKS

Mr. BLUM. As an advocate of a free enterprise economy, you must believe that businessmen take risks as they come and that it is up to a businessman to calculate the risk and decide whether the venture is worthwhile in light of the rate of return. When you are going into business in a foreign country, don't those risks include the political risks? Aren't those risks you calculate when you calculate to undertake a venture?

Mr. GENEEN. Mr. Blum, I think you calculate all the risks, not only the rate of return and the degree of risk, but also what other circumstances surround it. So in this particular case in Chile you had OPIC guarantees if we were using them, you had other activities in the sense of what the Government support might be or not be, and you had a general feeling of whether the climate was going to be a stable one or not, so yes, you take in all the factors, not just the risk.

#### RIGHT TO CALL FOR CIA ASSISTANCE

Mr. BLUM. If ITT miscalculates the political climate in a country where it invests, do you feel it has the right to call on the U.S. defense establishment or the Central Intelligence Agency to assist it in its troubles?

Mr. GENEEN. The U.S. defense establishment?

Mr. BLUM. Well, the Central Intelligence Agency is part of it.

Mr. GENEEN. Oh, I would say that it is a very unique problem, and I think the only time we have talked to the CIA has been in respect to the Chile problem.

Mr. BLUM. Do you think in the abstract that it is proper for you, having considered the risk, to talk to and request help from the CIA?

Mr. GENEEN. Well, I think the CIA as being part of our overall foreign policy. I don't think they operate without instruction, and I think that they report in to the National Security Board, as I understand it, which involves the functions of both the State Department, the Defense Department, and other parts of the country, the Government that makes our foreign policy, so whatever they say I am sure must be consistent with our total foreign policy position in any one area. As I again said I think Chile is very unique, and there is the only occasion.

Mr. BLUM. Isn't the question of whether the United States should invest its resources in the defense of your properties in Chile or any domestic priorities of one kind or another something for Congress to decide?

Mr. GENEEN. Let me hear that question again; I missed the impact of that.

Mr. BLUM. Isn't the question of where the resources, particularly the defense resources, of the United States are to be invested a choice between your assets in Chile—

Mr. GENEEN. I don't understand the point of the defense facet.

Mr. BLUM. The Central Intelligence Agency.

Mr. GENEEN. Oh, oh.

Mr. BLUM. Or for that matter the military, but specifically in this case the Central Intelligence Agency.

Mr. GENEEN. I don't know how they invest their resources—that is your word. I don't even know what part of the Government they are. I think they report independently, don't they, to the National Security board.

Senator CHURCH. We are wondering at the end of these hearings, we are just left wondering, who they report to or who they take their orders from.

#### IDENTIFICATION OF MNC'S WITH CIA NOT IN THEIR INTEREST

Mr. GENEEN. Well, Senator, they didn't take them from us.

Senator CHURCH. I think that we have another vote now and I believe we have pretty much covered the ground that we need to cover with you, Mr. Geneen. I do feel very strongly that in the interests of the ITT and other multinational corporations who must remain welcome in the foreign countries in which they do business, that the wider the distance between these big businesses and the CIA, the better for all concerned. I think that one of the direct outgrowths of this series of hearings will be legislation designed to accomplish that purpose. Nothing can be more debilitating to large American companies in the long run than the widespread belief, buoyed up from time to time with evidence of this kind, that there is an incestuous relationship between the CIA and large American companies operating abroad. That is one of the legislative derivatives, I think, or possibly derivative of these hearings. I think we have another vote, and I think, I have no further questions to ask.

#### SIMILARLY BETWEEN 1964 AND 1970 ELECTIONS

Senator Case, do you have any further questions?

Senator CASE. Just one which will take I think a couple of minutes and that is all, Mr. Chairman.

It goes back to our colloquy this morning about your sense of surprise and dismay at what you conceived or perceived to be a change in American policy at the time of your——

Mr. GENEEN. And its effect, sir.

Senator CASE. And in that connection you spoke about the contrast between 1970 and 1964 and the Frei election then.

You were not involved or did you or your company offer any fund to the CIA or any other agency of our Government to help elect Senor Frei.

Mr. GENEEN. No, we did not give any fund to the CIA.

Senator CASE. You did not offer any.

Mr. GENEEN. No, I talked to a member of the CIA at that time and he said it was against their policy.

Senator CASE. I see. So, in a sense at least, you raised a question of what you might do at that time.

Mr. GENEEN. Yes, and it was turned down.

Senator CASE. And you got the same answer in 1970.

Mr. GENEEN. That is correct.

Senator CASE. So that wasn't any change in policy or in your attitude.

Mr. GENEEN. No, I was thinking in the Government action, sir.

Senator CASE. I see.

These two situations are very much the same though, 1970 and 1964. As I recall it, Dr. Allende got about the same vote in both elections.

Mr. GENEEN. He got a little higher vote in 1970—I mean 1964.

Senator CASE. What?

Mr. GENEEN. He got about 40 percent in 1964.

Senator CASE. Yes, larger in 1964.

Mr. GENEEN. That is correct.

Senator CASE. That is a most interesting point.

Senator CHURCH. There were two candidates in 1964 and three in 1970.

Mr. GENEEN. That is right. They did not split their vote, that is the difference.

Senator CASE. The Marxist did not trail as badly in 1964.

Mr. GENEEN. I think that is true.

Senator CASE. If there is anything further you want to add for the record to help me understand your great concern about a change in our policy, I would love to have you do it.

Mr. GENEEN. Only the impact on us as we see it today, Senator.

Senator CASE. That didn't have much to do with our Government's policy, did it?

Mr. GENEEN. Well, I think we have been through it.

Senator CASE. You felt it anyway.

Mr. GENEEN. Yes...

Senator CHURCH. Mr. Geneen, I want to thank you for your testimony today.

This concludes the first phase of the hearings and the hearings are adjourned subject to the call of the Chair.

[Whereupon, at 4 p.m., the committee was adjourned subject to the call of the Chair.]

# INDEX

	Page
Ad Hoc Committee:	
Organization of.....	43-44, 47, 286
Purpose of.....	319-320, 44-45
Pressure on Kissinger's Office.....	49, 52, 82, 265-266, 268, 393-395
Allende's knowledge of.....	50-51
Agnew, Spiro.....	451-452, 492
Alessandri formula:	
Definition of.....	11
Impact if implemented.....	181, 155-156, 160-161
Encouragement of.....	62-63, 103, 130, 136, 213, 281-285, 293-294, 313-316
Alessandri, Jorge.....	10, 11, 95, 96, 102, 103, 104, 121, 130, 246, 311, 387, 463, 502
Allende, Salvador:	
Popular election of.....	10, 457
Congressional election of.....	228, 459, 250-251
Nationalization of American businesses.....	128-129, 192, 208, 225, 227-229, 264, 344-347, 384, 458-461, 490, 499
Meeting with Holmes.....	48
Amerson, Robert.....	17, 88, 90-91
Amunategui, Gregorio.....	377-378, 381
Anaconda Co.:	
Participation in ad hoc committee.....	44, 49, 51
Contacts with Gullfoyle.....	214, 263-264
Expropriation by Chilean Government.....	273-274, 306-307, 323, 326
Anderson, Jack (Anderson papers).....	105, 114-115, 138, 231-232, 234, 240, 277, 416, 440-441, 479, 489, 497
Bank of America:	
Lines of Credit to Chile.....	388-387
Participation in ad hoc committee.....	44, 385, 393-396
Principles of international banking.....	384-385, 388, 396
Berrellez, Robert:	
Interview with Matte.....	137, 139-140, 154-155, 158, 205
Offer of assistance to Matte.....	161-165, 177, 202-203, 311, 502-504
September 17, 1970, cable to ITT headquarters.....	10, 13-16, 130, 133, 136-137, 157, 248-249, 501
September 7, 1970, cable to ITT.....	10, 48, 155-156, 498-499
Nature of reporting task.....	153, 154, 177
Bolin, William H.....	383-392, 394-396
Broe, William V.:	
Meeting with Harold Geneen.....	4-6, 96, 181-182, 244-247, 453, 462-465, 482, 491-493, 505-506
His proposal to Gerrity.....	171-176, 189, 213-214, 250-252, 254-256, 260, 398-404, 504-505
Contacts with Merriam.....	4-6, 10-15, 23, 26-27, 30, 32-33, 247-250, 253-254
Contact with Ryan.....	53-55, 57-59, 252-253, 406-407
Hendrix/Berrellez memo.....	14, 16, 18, 147-148, 171, 248
Canning, Michael.....	17, 88, 91
Castro, Fidel.....	81, 85
Central Intelligence Agency:	
Economic pressure on Chile.....	103, 107-109, 174, 250-251, 255-256, 347, 511
Hendrix/Berrellez memorandums.....	16, 18-20
Policy with respect to private offers of money.....	97-98, 109, 462
Relationship to Forty Committee.....	405, 410-412, 415
Chase Manhattan Bank:	
Lines of credit to Chile.....	365-367, 372-373
Principles re international.....	368-371
Chilteleco (Compania de Telefonos de Chile):	
Book value of.....	211-212, 229-230, 483
Ownership of.....	210, 220-221, 235

Chiltelco (Compania de Telefonos de Chile)—Continued		Page
Nationalization of.....	75, 128-129, 206, 460	86,
Negotiations between ITT and Chilean Government.....	48, 228-229, 231-234, 483, 497, 500	
Statistical information regarding.....	221-224, 234, 236-238	
Loans to.....	358, 362	
Chilean congressional election.....	12, 250-251	
Chilean popular election, results of.....	10	
Christian Democratic Party.....	11, 95, 103, 131-132	
Clark, George.....	342-345, 347-357	
Colson, Charles.....	7-8, 56, 60, 91, 184, 492	
Connally, John.....	328	
CORFO (Corporation de Fomento de la Produccion) :		
Ownership in Chiltelco.....	210, 220-221, 235	
Purchase of ban't shares.....	345	
Cortez, Miles O.....	214, 377-379	
Council for Latin America.....	380-382	
Danelian, Dan (International Economic Policy Association).....	37, 71	
Dillenbeck, Richard : Dissent of Mencom's October 23 memo to Kissinger... 37-38		
Dunleavy, Francis :		
Meeting with Allende.....	48, 215-216	
Sale of Chiltelco to Allende.....	200-201	
El Mercurio.....	18, 15, 17, 41, 88-91, 123, 138, 141, 221, 477, 501	
Ehrlichman, John :		
Meeting among Kissinger and Geneen and Peterson.....	430, 433	
Possible meeting with Geneen, Colson and Merriam.....	7-8, 56, 60, 91, 184	
First National City Bank :		
Principles re international banking.....	342-344, 348-350, 352, 355-356	
Meeting with Korry.....	284, 351	
Nationalization by Chilean Government.....	344-347, 352-354	
Ford Motor Co.....	26-28, 30, 347	
Forty Committee :		
June 1970 meeting re Chile.....	289, 408-409, 412	
September 1970 meeting re Chile.....	408-409, 421-422	
Relationship with CIA.....	405, 410-412, 415	
Foster, William.....	373-377	
Frel, Eduardo.....	11,	
24, 66, 84, 98, 99, 131-133, 136, 160, 202-203, 225, 257, 279, 283,		
293-294, 313-315, 331		
General Motors.....	26-28, 30, 347	
Geneen, Harold S. :		
Meeting with Broe... 4-6, 96, 181-182, 244-247, 458, 462-465, 482, 491, 505-506		
Meeting with Mitchell.....	6-7, 182	
Discussions with Gerrity.....	173, 181, 184-186, 193-195, 452-455, 496	
Possible meeting with Ehrlichman, Colson, and Merriam... 7-8, 56, 60, 91		
Meeting with Haig and Peterson.....	38, 430, 433	
Meetings with McCone... 93, 101-105, 111, 118, 452, 458, 491-496, 502, 504-507		
Meeting with Connally.....	328	
Role of MNC's.....	466, 468, 470, 476	
ITT earnings and taxes.....	467-468, 474-475, 481	
U.S. foreign policy.....	476, 478-479, 481-486, 514-515	
Hendrix /Berrellez reports.....	498-499, 501-504	
Gerrity, Edward I. :		
Meeting with Broe.....	171-176,	
189, 213-214, 250-252, 254-256, 260, 398-404, 504-505		
Million dollar offer.....	173, 185-189, 191-193, 447, 449, 455-457	
Proposals for U.S. Government action.....	178-179, 190-192, 195-198, 204	
Discussions with Geneen.....	173, 181, 184-186, 193-195, 452-455, 496	
Meeting with Agnew.....	451-452	
Goodrich, Bernard A.....	15, 17-18, 88-91	
W. R. Grace & Co.....	44, 51	
"Green light" cable.....	130-143,	
145-147, 149, 165, 190-191, 285-286, 292-294, 304, 308-309, 426		
Greene, James R.....	357-364	
Gulifoye, John W. :		
Negotiation of sale of Chiltelco to Allende.....	200-201, 231-234	
Meeting with Allende.....	48, 215	
Million dollar fund and contacts with other U.S. companies.....	175,	
212-214, 263-264, 377-379		

# III

	Page
Haig, Alexander.....	430, 433
Helms, Richard:	
Meetings with John McCone.....	93-96, 102, 174, 259, 288, 465, 506, 511
Broe's proposal to Gerrity.....	250, 253, 400-401
Hendrix, Hal:	
Reports to ITT headquarters.....	10, 13-16, 130-143, 145-152, 177, 248-249, 287, 292, 306, 501-502
Support for Chilean newspapers.....	126-127, 141-142
Hennessy, John M.....	321-342
Hobbing, Enno.....	380-382
Holmes, Benny.....	36, 48, 78, 128-129, 206, 229
Inter-American Development Bank:	
Loans to Chile.....	321-322, 327, 328, 334
Pressure by ITT block loans to Chile from Bank.....	41, 46, 72, 80, 267, 285, 500
International Business Machines.....	214, 377-379
International Finance Corp.....	321-322
International Petroleum Co., expropriation of.....	66, 200-201, 240, 254
Kennecott Copper Co.:	
Investments in Chile.....	323, 326
Participation in ad hoc committee.....	44, 51, 265-266, 319-320
Kissinger, Henry:	
Newspaper editors briefing on Chile.....	299-302, 420, 425
Pressures from ad hoc committee.....	44-45, 49, 52, 82, 265-266, 268, 393-395
Meetings with McCone.....	102, 105, 174, 405, 460, 508, 511
Kleindienst, Richard.....	39, 57, 431
Korry, Edward M.:	
"Green light" cable.....	180, 183-185, 146-147, 149-151, 165, 190-191, 285, 286, 292-294, 304, 308-309, 426
Communications with States Department.....	290-291, 297-299, 287-288, 302, 314, 412
Contacts with ITT.....	70-71, 294-297, 280, 287, 317, 490
Alessandri formula.....	62-63, 281-285, 313-314, 293-294, 315-316
Role as Ambassador.....	277-279, 307-30, 285, 302
Letellier, Orlando.....	497
Lillicotch, Ray.....	345-347, 350-352, 356
Manufacturer's Hanover Trust Co.:	
Lines of credit to Chile.....	359-360, 364
Principles re international banking.....	361-363
Matte, Arturo.....	115, 13, 136, 137, 139-140, 154-155, 158, 160-165, 177, 202-203, 205, 311, 502-504
McCone, John A.:	
Meetings with Helms.....	93-96, 102, 174, 259, 288, 465, 506, 511
Memo from Merriam.....	30-31, 177
U.S. intervention in foreign countries.....	112-118, 120
Conversations with Geneen.....	98, 101-105, 111, 118, 452, 458, 465, 491-493, 502, 504-507
Role as CIA Director.....	97-101, 109, 119, 124-125, 247, 494
Contacts with Kissinger.....	102, 105, 174, 405, 468, 506, 511
Meacham, Ralph:	
Formation of ad hoc committee.....	43-44, 52, 265
Report to Parkinson on ad hoc committee.....	265, 268-269
Contacts with U.S. Government.....	266-267
Mercer, Lyle.....	318-320
Merriam, William R.:	
Contacts with Broe.....	4-6, 10-15, 23, 26-27, 30, 32-33, 247-250, 253-254
Possible meeting with Erhlichman, Colson, and Geneen.....	7-8, 56, 60, 91, 184
Hendrix-Berrellez memoranda.....	18, 172, 248
Memo to McCone.....	30-31, 177
October 1, 1971, letter to Peterson.....	40-43, 77, 431
Organization of ad hoc committee.....	43, 49-52, 265-266, 319-320
Meyer, Charles:	
Contacts with Neal.....	74, 195-196, 198-200, 203, 206, 423-425, 447-450
Contacts with Korry.....	272-273, 289, 312, 426
Forty Committee.....	44-45, 408-409, 402
Broe's proposal to Gerrity.....	398-404, 417-418

	Page
Million Dollar Offer:	
From McCone to Kissinger.....	101-102, 506
From Neal to Meyer.....	195, 423-425
Board approval of.....	110, 438-442, 476
From ITT to Kissinger.....	39-65, 494
Purpose of fund.....	76-77,
105, 114-116, 173, 185-189, 191-200, 206, 442-449, 495-496, 506-510	
Mitchell, John:	
Meeting with Geneen.....	6-7, 182
Conversation with Neal.....	69
Nachmanoff, Arnold.....	266-267, 274
Neal, Jack D.:	
Meeting with Vaky.....	61-62,
6-68, 195-200, 202-204, 433-437, 448-450, 460, 496	
Meeting with Meyer.....	195-196, 198-200, 203, 206, 423-425, 447-450, 460
Conversation with Mitchell.....	69
Office of Foreign Direct Investment.....	56, 184
Ogden, William S.....	364-378
Overseas Private Investment Corporation:	
Investment guarantees covering Chilteleco.....	86-87,
201, 207-209, 215, 219-220, 228, 229, 239-240, 469-474	
Guarantees as an argument for U.S. intervention in Chile to protect the taxpayer.....	61-62, 94, 306-307
Bond of Interest between U.S. Government and American Companies.....	216-218, 390
Parkinson, Jay.....	265, 266, 268
Peru: Nationalization of International Petroleum Co.....	66, 200-201, 254
Peterson, Peter G.:	
Meeting with Geneen and Haig.....	38, 430, 432-433
October 1, 1971, memo from Merriam.....	40-43, 77, 431
Pfizer Chemical.....	44, 51
Popular Unity Coalition.....	10, 128, 235, 280
Quigley, W. E.:	
Contacts with Gulifoye.....	214, 263-264, 379
Contacts with U.S. Government.....	269-278
Raddatz, Ronald.....	44, 386, 392-395
Ralston-Purina Co.:	
Participation in ad hoc committee.....	44, 51, 374-377
Negotiations with Chilean Government.....	374-375
Rogers, William.....	269
Rohatyn, Felix G.....	437-446
Ryan, John F.:	
October 6, conversation with Broe.....	53-55, 57-59, 252-253, 406-407
August 19, 1970 meeting with Stans.....	56-57, 184
Schneider, Rene.....	144-145, 202
Stans, Maurice.....	9, 56-57, 184
Tomic, Radomiro.....	10, 95, 121, 181, 291, 303, 452
Treasury Department:	
Economic policy toward Chile.....	321-325, 330-331, 334, 338-340
Policy with international lending agencies.....	327-329, 334-335, 337-338, 341-342
U.S. Government:	
Policy toward expropriation.....	8, 31-32, 269-270, 512
Policy with respect to Chilean election.....	67-68,
83, 180-182, 146, 178-179, 254, 256, 267, 281, 283-289, 301, 478-479	
Balance of payments.....	240, 432, 465-466
U.S. Information Service.....	18, 15, 17, 23, 88-91, 513
Vaky, Viron, meeting with Neal.....	61-62,
65-68, 195-200, 202-204, 433-437, 448-450, 460, 496	
Viaux, Robert.....	144-145, 202, 279, 304-306
World Bank:	
Loans to Chile.....	321-324, 327-330
Pressure on U.S. Government to block loans to Chile.....	46, 80